



**Tab 12**

## **Audit & Finance Committee**

### **Report to Convocation**

February 25, 2021

#### **Committee Members:**

Joseph Groia (Chair)  
Lubomir Poliacik (Vice-Chair)  
Ryan Alford  
Seymour Epstein  
Gary Graham  
Philip Horgan  
Vern Krishna  
Shelina Lalji  
Michelle Lomazzo  
Cecil Lyon  
Clare Sellers  
Sidney Troister  
Tanya Walker

#### **Authored By:**

Finance Department  
Brenda Albuquerque-Boutilier, Executive Director, Finance & CFO  
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## **FOR INFORMATION**

### **LAWPRO Financial Statements For the Nine Months ended September 30, 2020**

**The Audit & Finance Committee recommends that Convocation receive the third quarter financial statements for Lawyers' Professional Indemnity Company (LAWPRO) for information.**

The Law Society provides mandatory professional liability insurance to lawyers through LAWPRO, a provincially licensed insurer and wholly owned subsidiary of the Law Society. There is a quarterly financial reporting to the shareholder.

The professional liability insurance program generally requires practising lawyers to pay premiums and levies to the Law Society's Errors & Omissions Fund that contribute toward the premium paid by the Law Society to fund the anticipated costs of professional liability claims made in each annual policy period.

In addition to providing mandatory lawyers professional liability insurance, LAWPRO also sells optional excess lawyers professional liability insurance and title insurance.

In September, LAWPRO reported directly to Convocation on changes to the Law Society's professional liability insurance program for 2021.

The base premium for professional liability insurance coverage for Ontario lawyers was \$2,950 in 2020 and is \$3,000 for 2021. The annual policy limits have been \$1 million per claim and \$2 million in aggregate per licensee.

The statements have been approved by LAWPRO's Board.



**Lawyers' Professional Indemnity Company  
("LAWPRO" or "the Company")**

UNAUDITED FINANCIAL RESULTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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## FINANCIAL OVERVIEW

Financial information presented in this report includes LAWPRO's financial results for the nine months ended September 30, 2020 ("Sep YTD"), three months ended September 30, 2020 (discrete "Q3"), and the financial position as at September 30, 2020. Reference to budgets is for the same period, and reference to prior year is for the same period in 2019.

### Highlights for Q3 2020

- Q3 results were significantly better than budget. Total Comprehensive Income of \$8.4 M was \$7.2 M greater than budget (\$1.2 M)
- Investment results for Q3 were favourable as both equity and bond markets recovered significantly from the March low. Investment Income of \$5.0 M was \$0.1 M higher than budget (\$4.9 M), while Other Comprehensive Income of \$2.8 M was \$2.0 M higher than budget (\$0.8 M)
- Net claims incurred were \$8.6 M lower than budget for the quarter. The discount rate decrease from 1.57% at the end of Q2 to 1.39% at the end of Q3 contributed to a \$2.5 M claims discount and margin expense, offset by favourable prior year development in the E&O program of \$8.3M in Q3

### Highlights for the 9 months ended September 30, 2020

- Sep YTD results were significantly worse than budget. Total Comprehensive Loss of \$18.0 M was \$18.4 M lower than budget (\$0.4 M income)
- Investment results for Sep YTD were unfavourable as both equity and bond markets have not fully recovered to the pre-pandemic levels. Even though Investment Income of \$16.2 M was \$1.2 M higher than budget (\$15.0 M), Other Comprehensive Loss of \$11.8 M was \$14.1 M lower than budget (\$2.3 M income)
- Net claims incurred were \$4.5 M higher than budget, and \$7.8 M higher than prior year. The discount rate decrease from 2.45% to 1.39% contributed to a \$16.1 M increase in the claims discount and margin expense, offset by favourable prior year development in the E&O program of \$16.0 M. The undiscounted claims expense relating to the current fund year is in line with the prior year

### Statement of profit or loss – overview

- **Net Earned Premiums** of \$77.7 M was 6% less than budget (\$82.5 M) and 2% lower than prior year (\$79.7 M). Variance to budget was due to lower transaction levies, and less TitlePLUS premium. Variance to prior year was due to the same reasons, partially offset by marginally more full premium equivalent lawyers for the Ontario mandatory E&O program. Discrete Q3 NEP of \$26.8 M was 9% less than budget (\$29.4 M)
- **Net Claims Incurred** of \$85.7 M was 6% or \$4.5 M higher than budget (\$81.2 M) and 10% or \$7.7 M higher than the prior year (\$78.0 M). Discrete Q3 Net Claims Incurred of \$18.5 M was 32% or \$8.7M lower than budget (\$27.2 M)
- **Underwriting Loss** of \$25.3 M was \$7.1 M or 39% worse than budget (\$18.3 M loss) and \$9.5 M or 60% worse than the prior year (\$15.9 M loss). The significant drivers for underwriting results were unfavorable claims and premiums, partially offset by favorable general expenses. Discrete Q3 UW income of \$2.4 M was \$6.6 M or 157% better than budget (\$4.2 M loss)

- **Investment Income** of \$16.2 M was \$1.2 M or 8% higher than budget (\$15.0 M) but \$4.1 M or 20% worse than the prior year (\$20.3 M). There was continued improvement in investment income during the third quarter, following the severely impacted investment return earlier in the year due to the pandemic. Discrete Q3 Investment Income of \$5.0 M was \$0.1 M or 2% higher than budget (\$4.9 M)
- **Net Loss before Tax** of \$9.1 M was significantly worse than budget by \$5.9M (\$3.3 M loss) and \$13.6 M worse than prior year (\$4.4 M income). The \$5.8 M difference between actual and budget is attributable to underwriting loss (\$7.0 M loss of the difference) offset slightly by investment income (\$1.2 M income of the difference). Discrete Q3 Net Income Before Tax of \$7.4 M was \$6.7M better than budgeted Net Income Before Tax of \$0.7 M
- **Net Loss** of \$6.2 M was \$4.3 M worse than budget (\$1.9 M loss) and \$9.6 M worse than prior year (\$3.3 M income). Discrete Q3 Net Income of \$5.6 M was \$5.2 M better than budgeted Net Income of \$0.4 M
- **Other Comprehensive Loss** of \$11.8 M was \$14.1 M short of budget (\$2.3 M Income) and \$18.6 M below prior period (\$6.8 M Income). This was impacted by the pandemic and the resulting decline in the equity markets. Discrete Q3 Other Comprehensive Income of \$2.8 M was \$2.0 M better than budget (\$0.8 M)
- **Comprehensive Loss** of \$18.0 M versus budgeted comprehensive income of \$0.4 M, and a prior period comprehensive income of \$10.1 M. Discrete Q3 Comprehensive Income of \$8.4 M was significantly better than budget of \$1.2 M

#### Statement of Financial position – overview

- **Shareholder's equity** was \$253.3 M compared with \$271.3M at December 31, 2019. The \$18.0 M decrease was made up of a \$6.2 M decrease in Retained Earnings and a \$11.8 M decrease in Accumulated Other Comprehensive Income (AOCI)
- The \$6.2 M retained earnings decrease represents the net loss for -Sep YTD
- The \$11.8M AOCI decrease represents a reduction in unrealized gains due to the pandemic's impact on the markets as at September 30, 2020 as compared to December 31, 2019
- **Margin of \$182.3 M of insurance assets greater than liabilities.** Insurance assets (cash and cash equivalents, investments, investment income due and accrued) of \$702.2 M, (\$0.6 M decrease from December 31, 2019) to cover liabilities (provision for unpaid claims and adjustment expenses) of \$519.9 M (\$28.2 M increase from December 31, 2019)
- The **MCT ratio at September 30, 2020 was 227%**, compared with 242% at December 31, 2019, 233% at September 30, 2019, and 237% at December 31, 2018
- The lower MCT ratio at September 30, 2020 compared to December 31, 2019 is mainly due to higher claims incurred losses and claims liabilities
- The sharp decrease in the Bank of Canada overnight lending rate from 1.75% to 0.25% caused the **discount rate** to drop from 2.45% at December 31, 2019 to 1.39% at September 30, 2020. The change in discount rate increased claims liabilities by \$16.5 M

## Financial position as at September 30, 2020

### STATEMENT OF FINANCIAL POSITION

Stated in thousands of Canadian dollars

	As at Sep 30 2020	As at December 31 2019
<b>Assets</b>		
Cash and cash equivalents	27,095	18,117
Investments	671,109	682,034
Investment income due and accrued	3,970	2,620
Due from reinsurers	165	70
Due from insureds	2,856	2,024
Due from the Law Society of Ontario	30,641	7,422
Reinsurers' share of provisions for:		
Unpaid claims and adjustment expenses	50,066	46,297
Unearned premiums	1,766	-
Deferred policy acquisition expenses	884	-
Other receivables	1,550	897
Other assets	2,081	1,296
Property and equipment	11,598	11,900
Intangible assets	725	449
Current tax assets	10,854	892
Deferred income taxes	5,858	5,783
<b>Total assets</b>	<b>821,218</b>	<b>779,801</b>
<b>Liabilities</b>		
Provision for unpaid claims and adjustment expenses:		
Gross	471,273	459,151
Net discount and PfAD (asset) liability	48,591	32,493
Unearned premiums	30,670	1,100
Unearned reinsurance commissions	376	-
Due to reinsurers	1,919	814
Due to insureds	11	100
Expenses due and accrued	4,348	3,776
Lease liabilities	10,362	10,653
Other taxes due and accrued	360	413
	567,910	508,500
<b>Shareholders' Equity</b>		
Capital stock issued and paid	5,000	5,000
Contributed surplus	30,645	30,645
Retained earnings	197,236	203,480
Accumulated other comprehensive income	20,427	32,176
	253,308	271,301
<b>Total liabilities and shareholders' equity</b>	<b>821,218</b>	<b>779,801</b>

## Financial results for nine months ended September 30, 2020

### Income Statement - Management Analysis For the nine months ended September 30, 2020 Stated in thousands of dollars

	Actual	Budget	Variance		Actual	Variance	
	YTD Sep. 2020	YTD Sep. 2020	Actual	Budget		YTD Sep. 2019	2020 : 2019
			\$	%	\$	\$	%
<b>Gross premiums written</b>							
Ontario	102,498	106,744	(4,246)	(4)	103,957	(1,459)	(1)
Excess	5,958	6,050	(92)	(2)	6,027	(69)	(1)
Title	4,099	4,597	(498)	(11)	4,424	(325)	(7)
	112,555	117,391	(4,836)	(4)	114,408	(1,853)	(2)
<b>Change in unearned premium</b>							
Ontario	(28,066)	(27,970)	(96)	-	(27,854)	(212)	(1)
Excess	(1,504)	(1,513)	9	1	(1,520)	16	1
	(29,570)	(29,483)	(87)	-	(29,374)	(196)	(1)
<b>Gross earned premiums</b>	<b>82,985</b>	<b>87,908</b>	<b>(4,923)</b>	<b>(6)</b>	<b>85,034</b>	<b>(2,049)</b>	<b>(2)</b>
<b>Reinsurance ceded</b>							
Ontario - Clash (Gross)	1,558	1,700	(142)	(8)	1,605	(47)	(3)
Less: Change in unearned ceded	(389)	(425)	36	8	(401)	12	3
Excess (Gross)	5,362	5,445	(83)	(2)	5,424	(62)	(1)
Less: Change in unearned ceded	(1,354)	(1,362)	8	1	(1,368)	14	1
TitlePLUS - Clash (Gross)	92	100	(8)	(8)	95	(3)	(3)
Less: Change in unearned ceded	(23)	(25)	2	8	(24)	1	4
	5,246	5,433	(187)	(3)	5,331	(85)	(2)
<b>Net earned premiums</b>							
Ontario	73,263	77,499	(4,236)	(5)	74,899	(1,636)	(2)
Excess	446	454	(8)	(2)	451	(5)	(1)
Title	4,030	4,522	(492)	(11)	4,353	(323)	(7)
	77,739	82,475	(4,736)	(6)	79,703	(1,964)	(2)
<b>Gross claims incurred</b>							
Ontario	60,015	71,250	(11,235)	(16)	56,514	3,501	6
Excess	3,575	3,628	(53)	(1)	3,616	(41)	(1)
Newfoundland	-	-	-	-	-	-	-
Title	1,825	1,609	216	13	4,557	(2,732)	(60)
	65,415	76,487	(11,072)	(14)	64,687	728	1
<b>Reinsurer's share of claims incurred</b>							
Ontario	13	-	13	100	(269)	282	105
Excess	3,218	3,265	(47)	(1)	3,255	(37)	(1)
Newfoundland	-	-	-	-	-	-	-
Title	(7)	-	(7)	(100)	1	(8)	(800)
	3,224	3,265	(41)	(1)	2,987	237	8
<b>Net claims incurred</b>							
Ontario	62,191	73,222	(11,031)	-	61,700	491	1
Claims discount and margin change	16,098	16	16,082	100,514	8,673	7,425	86
	78,289	73,238	5,051	7	70,373	7,916	11
<b>Add: Internal claims expense</b>	<b>7,446</b>	<b>7,980</b>	<b>(534)</b>	<b>(7)</b>	<b>7,604</b>	<b>(158)</b>	<b>(2)</b>
	85,735	81,218	4,517	6	77,977	7,758	10
<b>Reinsurance commission earned</b>							
Excess	1,122	1,143	(21)	(2)	1,136	(14)	(1)
<b>Profit commission earned (expensed)</b>							
Ontario	(46)	-	(46)	(100)	2	(48)	(2,400)
<b>Premium taxes</b>	2,494	2,637	(143)	(5)	2,554	(60)	(2)
<b>General expenses</b>	23,049	25,692	(2,643)	(10)	23,447	(398)	(2)
Less: Internal claims expense	(7,446)	(7,980)	534	7	(7,604)	158	2
	15,603	17,712	(2,109)	(12)	15,843	(240)	(2)
<b>Finance Costs</b>	311	311	-	-	322	(11)	(3)
<b>Underwriting income (loss)</b>	(25,328)	(18,260)	(7,068)	(39)	(15,855)	(9,473)	(60)
Investment income (before net unrealized gain)	3,927	15,031	(11,104)	(74)	14,031	(10,104)	(72)
Change in unrealized gains and losses	12,312	-	12,312	100	6,287	6,025	96
<b>Investment income</b>	16,239	15,031	1,208	8	20,318	(4,079)	(20)
<b>Net income (loss) before taxes</b>	(9,089)	(3,229)	(5,860)	(181)	4,463	(13,552)	(304)
<b>Income taxes</b>	(2,845)	(1,299)	(1,546)	(119)	1,124	(3,969)	(353)
<b>Net income (loss)</b>	<b>(6,244)</b>	<b>(1,930)</b>	<b>(4,314)</b>	<b>(224)</b>	<b>3,339</b>	<b>(9,583)</b>	<b>(287)</b>
<b>Other comprehensive income (loss)</b>	(11,749)	2,351	(14,100)	(600)	6,838	(18,587)	(272)
<b>Total comprehensive income (loss)</b>	<b>(17,993)</b>	<b>421</b>	<b>(18,414)</b>	<b>4,374</b>	<b>10,177</b>	<b>(28,170)</b>	<b>(277)</b>
<b>U/W Combined Ratio (discounted basis)</b>	132%	122%			119%		
<b>Claims Ratio (discounted basis)</b>	110%	98%			98%		
<b>U/W Combined Ratio (undiscounted basis)</b>	111%	122%			109%		
<b>Claims Ratio (undiscounted basis)</b>	90%	98%			87%		

## Statement of Comprehensive Income

### STATEMENT OF COMPREHENSIVE INCOME

Stated in thousands of Canadian dollars

**For nine months ended September 30**

	<b>2020</b>	<b>2019</b>
<b>Profit (loss)</b>	<b>(6,244)</b>	<b>3,339</b>
Other comprehensive income, net of income tax:		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Remeasurements of defined benefit plans, net of income tax expense (recovery) of (\$0) [2019: \$0]	-	-
<u>Items that may be reclassified subsequently to profit or loss:</u>		
<i>Available-for-sale assets</i>		
Net changes unrealized gains (losses), net of income tax expense (recovery) of (\$7,034) [2019: \$2,234]	(19,512)	6,198
Reclassification adjustment for (gains) losses recognized in profit or loss, net of income tax (expense) recovery of (\$1,014) [2019: (\$582) ]	(2,811)	(1,615)
Reclassification adjustment for impairments, recognized in profit or loss, net of income tax expense of \$3,812 (2019: \$813)	10,574	2,255
<b>Other comprehensive income</b>	<b>(11,749)</b>	<b>6,838</b>
<b>Comprehensive income</b>	<b>(17,993)</b>	<b>10,177</b>

## Statement of Changes in Equity

### STATEMENT OF CHANGES IN EQUITY

Stated in thousands of Canadian dollars

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity
<b>Balance at December 31, 2018</b>	<b>5,000</b>	<b>30,645</b>	<b>199,171</b>	<b>18,646</b>	<b>253,462</b>
Total comprehensive income for the year	-	-	4,848	12,991	17,839
Transfer of defined benefit remeasurements from OCI to retained earnings			(539)	539	
<b>Balance at December 31, 2019</b>	<b>5,000</b>	<b>30,645</b>	<b>203,480</b>	<b>32,176</b>	<b>271,301</b>
Total comprehensive income for the year	-	-	(6,244)	(11,749)	(17,993)
Transfer of defined benefit remeasurements from OCI to retained earnings			-	-	-
<b>Balance at September 30, 2020</b>	<b>5,000</b>	<b>30,645</b>	<b>197,236</b>	<b>20,427</b>	<b>253,308</b>

## Insurance Ratios

TEST	RECOMMENDED TARGET	SEP 2020	DEC 2019	SEP 2019	DEC 2018
<b>I. Solvency Ratios</b>					
<b>1. Minimum Capital Test</b>					
<i>(Measures the excess of capital available to capital required based on a risk-based capital adequacy framework and is used to determine capital adequacy of a company.)</i>	Preferred: 210-240% Minimum: 170%	227%	242%	233%	237%
<b>2. Loss reserves to equity</b>					
<i>(Measures unpaid claim and adjustment reserves as a percentage of surplus and provides a simple test of the leveraged position of the company.)</i>	Preferred: < 225% Maximum: 250%	185%	164%	170%	171%
<b>II. Other Select Ratios</b>					
<b>1. Liabilities as a % of liquid assets</b>					
<i>(Liabilities as a percentage of Cash and other liquid assets-measures company's ability to meet its financial demands.)</i>	Preferred: < 80% Maximum: 105%	74%	66%	71%	66%
<b>2. Net premiums written as a % of surplus</b>					
<i>(Net risk ratio measures the company's ability to absorb financial shocks. The higher the ratio of premiums to surplus, the greater is the potential risk borne by the company in relation to the surplus available to absorb loss variations.)</i>	Preferred: < 80% Maximum: 100%	42%	40%	41%	42%
<b>3. Comprehensive return on equity</b>					
<i>(Measures an insurer's comprehensive income as a percentage of equity. The higher the ratio, the greater the return to shareholders per unit of invested capital. Sustainability of earnings is more important than periods of high returns followed by periods of low returns or losses.)</i>	Greater than 0%	(9.3%)	6.8%	5.2%	(0.1%)
<b>4. General expense ratio</b>					
<i>(Measures an insurer's general expenses, excluding commissions, as a percentage of net earned premiums.). This ratio should be maintained at lower than or equal to comparable small insurance companies.</i>	Up to small insurance company benchmark (29% as at Dec 2019)	23%	24%	23%	24%
<b>5. Optional business segment</b>					
<i>(Excess program and TitlePLUS title insurance is planned to achieve break-even or better on a trailing 4 year average basis).</i>	Greater than \$0 (stated in \$'000s)	(676)	(383)	(386)	331

**Note:**

1. Sufficient to maintain/grow MCT.

Better Than Target
Within Target
Outside of Target

## Claims Payments & Statistics – Ontario Primary E&O

For the nine months ended September 30, 2020

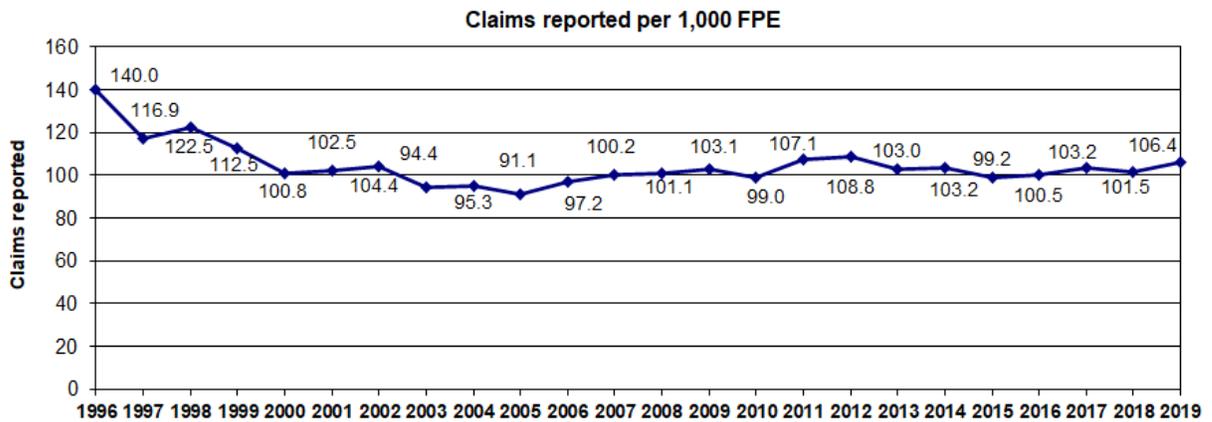
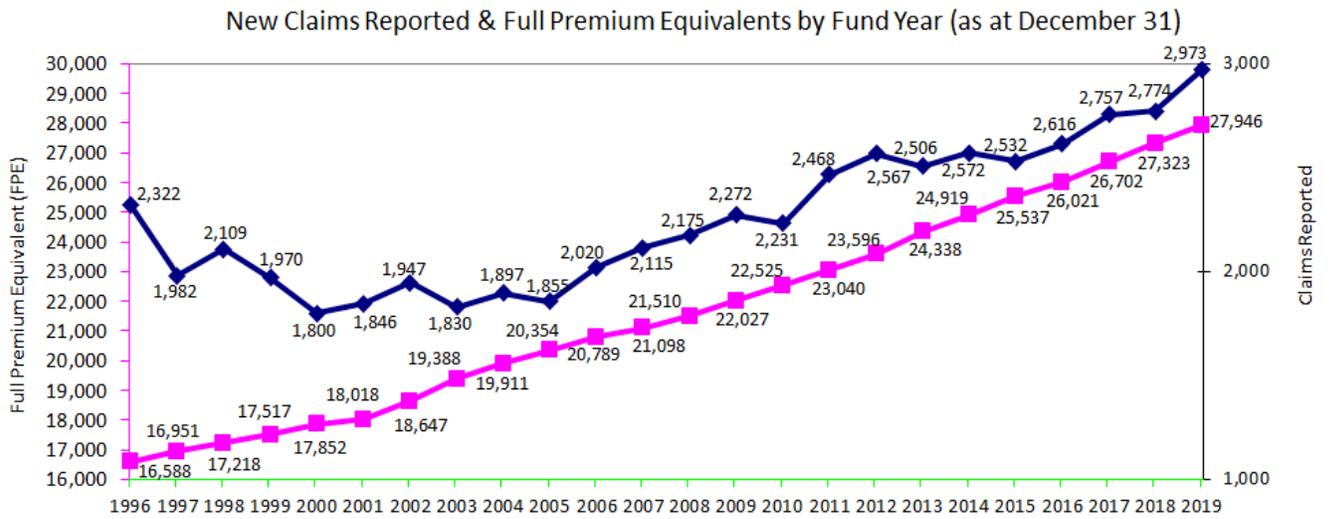
### Claims count

Number of Claims	2020	2019	Change
Open Claims (All fund years)	4,213	4,164	49
Activated during year:			
new reports*	1,884	2,130	(246)
reopened	95	126	(31)
	1,979	2,256	(277)
All fund years - Closed during year	2,049	2,081	(32)
*new reports - current fund year only	1,524	1,847	(323)

### Claim payments

Costs	2020	2019	% Change
	\$ 000s	\$ 000s	
Indemnity	21,359	25,561	(16)
Legal Fees	30,099	26,958	12
Adjuster Fees	169	185	(9)
Other	2,034	2,455	(17)
Total	53,661	55,159	(3)

## New Claims Reported and FPEs by Fund Year – Ontario Primary E&O





CIBC Asset  
Management Inc.  
18 York Street,  
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Toronto ON M5J  
2T8  
Tel: 416-364-5620  
Fax: 416-364-3286

Confidential

October 28, 2020

Subject: Quarterly Compliance Report as at September 30,  
2020 for Lawyers' Professional Indemnity Company

As of and for the quarter ending September 30, 2020, we hereby certify that to the best of our knowledge the investments in the Lawyers' Professional Indemnity Company portfolio were in compliance, based on our records which are issued on a trade date basis, in accordance with the Investment Policy Statement dated January 1, 2020.

Yours truly,

A handwritten signature in blue ink, appearing to read "B. Lancaster", with a small blue dot to the right of the signature.

Brian Lancaster,  
CFA, CAIA  
Vice-President



October 20<sup>th</sup>, 2020

Lawyer's Professional Indemnity Company  
C/O Mr. Daniel E. Pinnington, President & CEO  
250 Yonge Street, Suite 3101  
P.O. Box 3  
Toronto, Ontario  
M5B 2L7

SUBJECT: COMPLIANCE CERTIFICATE

Dear Mr. Pinnington,

This is to confirm that, at the end of each month of the quarter ending September 30<sup>th</sup>, 2020, Letko Brousseau was in compliance with the requirements of the Statement of Investment Policies and Procedures, effective January 1<sup>st</sup>, 2020. To the best of our knowledge, we have no reason to believe that we were not in compliance with all such requirements at any other time during such period.

We also confirm the following, as at September 30<sup>th</sup>, 2020, in regard to your investment in the Letko Brousseau Emerging Markets Equity Fund ('The Fund'):

- The Fund does not hold any securities of law firms
- The Fund does not hold any derivative securities
- The Fund has not purchased any securities which fall under the 10% basket clause
- Starting the end of June 2019, the Fund is engaging in securities lending

Should you require additional information, please do not hesitate to contact us at your convenience.

Regards,

Original letter signed by Sylvie Richard

Sylvie Richard, CPA, CA  
Director, Portfolio Compliance  
SR/mn  
(4404)

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## **FOR INFORMATION**

### **LIRN Inc. Financial Statements for the Nine Months Ended September 30, 2020**

**The Audit & Finance Committee recommends that Convocation receive the third 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. The financial statements have been approved by LIRN's Board.

LIRN is fully funded by the Law Society through the lawyer's annual fee. In 2020, the county library component was \$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 nine months of 2020 identify an excess of revenues over expenses of \$53,062. 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 \$49,171 allocated to the first three quarters of the year based on timing of anticipated expenses.
2. The positive variance of \$102,233 from budget for the nine months is due to small favourable variances in many expense categories, with a more notable underspending related to the centralized purchase of publications. At this time, it is unknown if these variances will result in actual savings or rather relate to timing differences. 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 just over \$6 million in the first nine months, approximately \$29,000 less than 2019 and matched budgeted amounts for the period. Because the 2020 budget did not include an amount for transition expenses, the grant from the Law Society was expected to decrease slightly from 2019.

### **Expenses**

4. Total expenses were approximately \$5.97 million for the first nine months of the year, \$96,105 less than budget for the same period.
5. Salary and transition expenses of \$19,052 and \$62,562, respectively, were unbudgeted for 2020. The 2019 budget included \$300,000 for expenses associated with the transition from LibraryCo. Inc. to LIRN Inc. With the transition only taking place in 2020, the \$300,000 formed part of the fund balance of the General Fund at the end of 2019. The fund balance is being used to finance these expenses, which relate to the corporate transition and hiring of the Managing Director.

6. Administration expenses are \$25,028 under budget due to the phased transition to the external accounting firm for financial administration services.
7. 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. Positive variances totalling \$16,590 are spread throughout these categories.
8. Electronic product expenses of \$272,353 are in line with the agreement with LexisNexis and budget.
9. Group benefits and insurance of \$254,577 consist of the Group Benefits for enrolled county law library staff, and library D&O and property insurance. There is a positive variance of \$25,923 for the first nine months of the year. The 2021 budget was adjusted to incorporate the anticipated lower costs.
10. Other centralized expenses of \$11,501 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.
11. County and district law libraries grants of just under \$5.3 million are in line with budget and increased from 2019 as expected with the 2020 budget providing for a 2% increase.

### **Statement of Financial Position**

12. Cash of just over \$1 million 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 on behalf of LIRN.
13. Accounts payable and accrued liabilities of \$60,452 are more than 2019 with the difference attributable to the timing of paying salaries and the LexisNexis electronic products invoices.
14. The fund balance of the General Fund has increased from \$488,318 in September 2019 to \$561,059 at the end of September 2020 based on the excess of revenues over expenses in the intervening period.
15. The Reserve Fund has an unchanged balance of \$500,000.

**LIRN INC.**  
**Statement of Financial Position**  
**Stated in Dollars**  
**As at September 30, 2020**  
**Unaudited**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and short-term investments	1,039,042	926,687
Accounts receivable	23,708	23,407
Prepaid expense	58,961	55,308
<b>Total Assets</b>	<b>1,121,711</b>	<b>1,005,402</b>
<b>Liabilities, Share Capital and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	60,452	16,884
<b>Total Liabilities</b>	<b>60,452</b>	<b>16,884</b>
<b>Share Capital and Fund Balances</b>		
Share capital	200	200
General fund	561,059	488,318
Reserve fund	500,000	500,000
<b>Total Share Capital and Fund Balances</b>	<b>1,061,259</b>	<b>988,518</b>
<b>Total Liabilities, Share Capital and Fund Balances</b>	<b>1,121,711</b>	<b>1,005,402</b>

*This statement includes the financial resources of the LIRN Inc. entity only.*

**LIRN INC.**  
**Statement of Operating Revenues and Expenses**  
**Stated in Dollars**  
**For the nine months ending September 30, 2020**  
**Unaudited**

	<b>2020 Actual</b>	<b>YTD Budget</b>	<b>YTD Variance</b>	<b>Annual Budget</b>	<b>2019 Actual</b>
<b>REVENUES</b>					
Law Society of Ontario grant	6,014,320	6,014,320	-	8,019,094	6,043,452
Interest income	6,128	-	6,128	-	11,763
<b>Total revenues</b>	<b>6,020,448</b>	<b>6,014,320</b>	<b>6,128</b>	<b>8,019,094</b>	<b>6,055,215</b>
<b>EXPENSES</b>					
<b>Head office / administration</b>					
Salaries and benefits	19,052	-	(19,052)	-	-
Administration	4,972	30,000	25,028	40,000	-
Professional fees	10,892	10,125	(767)	13,500	12,099
Transition	62,562	-	(62,562)	-	-
Other	20,980	37,570	16,590	48,900	10,564
<b>Total head office / administration expenses</b>	<b>118,458</b>	<b>77,695</b>	<b>(40,763)</b>	<b>102,400</b>	<b>22,663</b>
<b>Law libraries - centralized purchases</b>					
Electronic products and services	272,353	272,430	77	363,250	235,112
Group benefits and insurance	254,577	280,500	25,923	374,000	255,627
Other	11,501	117,049	105,548	184,900	36,657
<b>Total law libraries - centralized purchases</b>	<b>538,431</b>	<b>669,979</b>	<b>131,548</b>	<b>922,150</b>	<b>527,396</b>
County and district law libraries - grants	5,295,497	5,295,497	-	7,060,663	5,196,164
Computer refresh grants	15,000	15,000	-	15,000	-
Bursaries, capital and special needs grants	-	5,320	5,320	7,600	29,172
<b>Total county and district law libraries expenses</b>	<b>5,310,497</b>	<b>5,315,817</b>	<b>5,320</b>	<b>7,083,263</b>	<b>5,225,336</b>
<b>Total expenses</b>	<b>5,967,386</b>	<b>6,063,491</b>	<b>96,105</b>	<b>8,107,813</b>	<b>5,775,395</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>53,062</b>	<b>(49,171)</b>	<b>102,233</b>	<b>(88,719)</b>	<b>279,820</b>

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

**LIRN INC.**  
**Statement of Changes in Fund Balances**  
**Stated in Dollars**  
*For the nine months ending September 30, 2020*  
**Unaudited**

	<b>2020</b>			<b>2019</b>
	General Fund	Reserve Fund	<b>Total</b>	<b>Total</b>
1 Balance, beginning of year Excess of revenues over expenses	507,997	500,000	<b>1,007,997</b>	<b>708,498</b>
2 (expenses over revenues)	53,062	-	<b>53,062</b>	<b>279,820</b>
3 <b>Balance, end of period</b>	<b>561,059</b>	<b>500,000</b>	<b>1,061,059</b>	<b>988,318</b>