



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
416-947-3436

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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.

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

Unaudited Financial Results for the Nine Months ended September 30, 2020

This document is available upon request.

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.



Law Society
of Ontario

Barreau
de l'Ontario

LIRN INC.

Statement of Financial Position

As at September 30, 2020 (Unaudited)

This document is available upon request.