



Law Society
of Ontario

Barreau
de l'Ontario

Tab 3.0

Audit & Finance Committee

Report to Convocation

June 28, 2023

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FOR INFORMATION

Law Society of Ontario Financial Statements for the Three Months Ended March 31, 2023

The Audit & Finance Committee recommends the Law Society of Ontario's financial statements for the three months ended March 31, 2023, be received by Convocation for information.

These interim statements are part of the quarterly financial reporting schedule to Convocation. Unlike annual statements, interim statements are not audited.

These financial statements present the financial position and operations of the Law Society and include the General Funds (or operating funds) and the following special purpose or restricted funds:

- The lawyer and paralegal pools of the Compensation Fund are restricted by the Law Society Act and is an externally restricted fund.
- 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 and are internally restricted funds.

Information on the General Funds and restricted funds is provided in [Appendix A](#). **This information is included for reference and is not mandatory reading.**

The Financial Statements for the three months ended March 31, 2023, comprise the following statements:

- Statement of Financial Position
- 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:

- Statements of Financial Position for the Compensation Fund and E&O Fund
- Schedules of Revenues and Expenses for the Lawyer General Fund, the Paralegal General Fund, the combined General Funds, the Compensation Fund

with separate schedules for the lawyer and paralegal pools of the Fund, and the E&O Fund

Executive Summary

The combined first quarter financial results of all the Law Society's operating and restricted funds, presented in the financial statements, report revenues exceeding expenses by \$941,000. This increases the overall fund balances by that same amount. This is in comparison to the first three months of 2022 where expenses exceeded revenues by \$7.0 million. The negative results of the first quarter of 2022 were driven by significant unrealized investment losses, increased claims activity in the Compensation Fund, and unplanned expenditures related to the Licensing Process.

Key factors driving the first quarter's positive financial results in 2023 are:

- 1) Total unrealized gains on investments, as of the end of March, of \$3 million related to the Law Society's three investment portfolios for the General, Compensation and E&O Funds. While positive to date in 2023, these gains do not fully recover last year's unrealized losses of \$7.5 million.
- 2) The 2023 budget contemplated a full return to in-person activities, including all meetings of Convocation and Committees. The continued use of hybrid and virtual modalities to hold meetings leads to savings in bench expenses, remuneration and catering/function costs.
- 3) General savings across multiple expense lines derived from the optimization of hybrid interactions for meetings and events, and from some staff positions that remained vacant longer than usual due to labour market conditions.
- 4) The Law Society budget includes a \$1 million contingency for in-year, unforeseen circumstances, with \$250,000 budgeted in the first quarter. These funds have not been used to date in 2023.

These key factors have led to:

- Revenues exceeding expenses in the Lawyer General Fund by \$415,000 at the end of the first quarter of 2023, compared to a budget that planned for expenses to exceed revenues of \$4.2 million for the same period. The positive results are driven by higher than projected revenues and lower than budgeted expenses.
- The Paralegal General Fund ending the first quarter with revenues exceeding expenses by \$191,000, compared to a budgeted expectation of expenses

exceeding revenues by \$291,000 for the same period. Similar to the Lawyer General Fund, the positive results are due to improved performance in both revenues and expenses.

- Revenues exceeding expenses in the lawyer pool of the Compensation Fund by \$1.5 million for the first quarter of 2023, compared to a budget that planned for excess expenses over revenues of \$13,000 for the same period. Unrealized gains on investments of \$1.2 million drove these positive results.
- The paralegal pool of the Compensation Fund ended the first three months with excess revenues over expenses of \$84,000, compared to a budgeted excess of expenses over revenues of \$13,000. These favourable results were driven by unrealized investment gains, and lower than budgeted expense related to the provision for unpaid grant.

The balance of this report provides further details and key financial statement highlights.

Financial Statement Highlights

Statement of Revenues and Expenses and Change in Fund Balances

Revenues

Annual Fees

Annual fees of \$24.5 million, recognized in the first three months of 2023, are in line with the 2023 budget and are higher than the annual fee revenues in 2022. The 2023 budget incorporated an annual fee increase for lawyers and paralegals of \$168¹ and \$80², respectively and anticipated an increase in the number of full-fee equivalent paying lawyers (1,525) and paralegals (200). For financial statement presentation purposes, annual fee revenue is recognized monthly.

Insurance Premium and Levies

Insurance premiums and levies of \$26.4 million are slightly lower than the prior year at \$26.7 million. LAWPRO's base insurance premium rate for 2023 increased from \$3,000 to \$3,250. Increased revenues from the change in premium rates were offset by lower transactional real estate and civil litigation levies.

¹ The \$168 increase may be broken down as a \$89 increase for the lawyer pool of the Compensation Fund, \$62 for the Lawyer General Fund and \$17 for the County Libraries Fund.

² The \$80 comprises an increase of \$71 for the Paralegal General Fund and \$9 for the paralegal pool of the Compensation Fund.

Professional Development and Competence (“PD&C”)

PD&C revenues comprise income from the licensing process and continuing professional development (“CPD”). Total year-to-date revenues of \$4.6 million are in line with the 2023 budget and favourable when compared to revenues of \$3.9 million for the same period in 2022.

The primary driver of the year over year increase in PD&C revenues is candidate examination fees increasing in 2023, necessitated by the move from online to in-person examinations.

Change in Fair Value of Investments & Investment Income

The Law Society’s three investment portfolios for the General, Compensation and E&O Funds experienced unrealized gains on investments of \$1.0 million, \$1.3 million, and \$685,000, respectively, totaling \$3.0 million as of the end of March. This is compared to unrealized losses of \$3.7 million for the same period in 2022. The change in fair value of investments is not budgeted. As a result, when there are unrealized gains in a given year, it positively impacts the financial results and fund balances of the three Funds.

Investment income for the period was \$849,000, which is greater than the budget of \$549,000, and the investment income of \$289,000 for the same period in 2022. The main driver of the change is the increase in interest rates throughout 2022 and into early 2023.

Other Revenues

Other revenues totalling \$2.4 million are higher than the budget of \$1.8 million and are in line with 2022 actuals. The favourable performance to budget is due to increased collection of ordered costs in the Compensation Fund (\$230,000) and the General Fund (\$276,000), exceeding projections. Revenue from the recovery of ordered costs is difficult to budget due to the variability in timing and amounts that are collected.

Expenses

Professional Regulation, Tribunals, and Compliance

Professional Regulation, Tribunals, and Compliance expenses totalling \$8.1 million are more than the 2022 amount of \$7.7 million but are less than budget by \$1.0 million. This is primarily due to lower than budgeted external counsel fees, and savings in travel, office, and document reproduction costs.

Professional Development and Competence

PD&C expenses totalling \$7.7 million are greater than the 2022 amount of \$6.7 million but are less than budget by \$860,000. Savings are due to reduced salary and benefit expense for the period, with some positions taking longer to fill, and lower travel costs as a significant number of practice audits and reviews continue to be delivered virtually.

Corporate Services

Total Corporate Services expenses of \$8.5 million are higher than last year's total for the first quarter of \$7.6 million and are comparable to budget. The 2023 budget planned for a return to normalized operations, including more onsite meetings and stakeholder events. With virtual and hybrid activities continuing, spending related to building maintenance and operations for this period is lower in areas such as utilities, security and cleaning, although they are higher than last year. In the first quarter of 2022, there were still government imposed pandemic related restrictions affecting the Law Society's ability to resume in-person activities such as events and CPD programming.

Some of the savings have funded incurred unbudgeted expenses, such as legal and advisory services, related to the Ontario Line Metrolinx file. Activity on the Metrolinx file is expected to continue throughout the year. Although the extent or the financial impact is not known at this time, it is being monitored by the CEO, General Counsel and the CFO.

Convocation, Policy, and Outreach

Total Convocation, Policy, and Outreach expenses of \$1.8 million are higher than the 2022 expenses of \$1.6 million and are less than budget by \$1.1 million.

The 2023 budget assumed a full return to in-person meetings of Convocation and related Committees. To date, meetings of Convocation and Committees have been in a hybrid or virtual format resulting in savings in bench expenses and remuneration, and governance functions of \$240,000 in the first quarter of 2023.

The remainder of the variance from budget results from reduced expenses in stakeholder engagement, advisory groups, media relations, and communications with hybrid events and engagements. In addition, the year-to-date budgeted contingency totalling \$250,000 was not utilized in the first quarter.

Services to Licensees and Public

Services to licensees and public expenses of \$1.5 million are higher than the 2022 expenses of \$1.3 million and are less than budget by \$99,000. The main reason for the

lower spending when compared to budget is the continuation of hybrid conferences and meetings by the Federation of Ontario Law Associations.³

Restricted Funds

The Law Society's Restricted Funds report an excess of revenues over expenses of \$335,000 to March 31, 2023, compared to expenses exceeding revenues by \$5.8 million to March 2022. The key components are:

- a. In the Compensation Fund, revenues exceeded expenses by \$1.5 million (2022 – expenses exceeded revenues by \$3.7 million), explained further on in this report.
- b. In the E&O Fund, revenues exceeded expenses by \$0.8 million (2022 – expenses exceeding revenues by \$1.0 million) due primarily to unrealized gains on long-term investments and increased investment income.
- c. In the Capital Allocation Fund, expenses exceeding revenues by \$1.6 million (2022 – \$489,000) due primarily to increased spending on Phase 1 of the Bencher Wing capital project and the Business Technology Transformation initiative (“Transformation”).

The **lawyer pool of the Compensation Fund** had excess revenues over expenses of \$1.5 million to the end of March, compared to a budget that planned for revenues to be in line with expenses for the same period. The favourable results are attributable to unrealized gains on investments of \$1.3 million and higher recoveries on ordered costs than anticipated.

In the lawyer pool, the provision for unpaid grant expense as of March 31 was \$1.2 million and in line with budget but is significantly below the \$2.5 million expense for the same period last year. In the first quarter of 2022 the Law Society received a notable number of claims related to two lawyers. While this activity continued into 2023, the number of new inquiries and claims declined in the first quarter. However, these files continue to be active, and it is premature to assess whether the bulk of claims have been received.

The **paralegal pool of the Compensation Fund** had an excess of revenues over expenses of \$84,000 to the end of March, compared to a budget that planned an

³ The Law Society, through its budget, provides funding to the Federation of Ontario Law Associations based on actual expenses incurred. If their spending is less than requested at the time of budget planning, savings are realized.

excess of expenses over revenues of \$13,000. Unbudgeted unrealized gains on the investment portfolio totaled \$63,000 in the first quarter leading to the positive results.

The **E&O Fund** had net revenues over expenses of \$824,000 as of March 31, 2023, as compared to an excess of expenses over revenues of \$961,000 for the same period last year. Similarly, unrealized gains are driving the positive outcomes in 2023 thus far.

The **Capital Allocation Fund** had excess expenses over revenues of \$1.6 million to March 31, 2023. The 2023 budget plans for the use of \$1.3 million of the fund balance to offset spending on capital projects. Expenses in the first quarter were \$2.5 million comprising spending on the Transformation, Bencher Wing repairs and other approved capital projects.

Fund Balances

General Funds

Lawyer General Fund

The fund balance of the Lawyer General Fund is \$34.6 million as of March 31, 2023. The fund balance decreased from \$36.9 million at the same time last year and is lower than the 2022 fiscal year end balance of \$37.7 million. The decrease in the fund balance relates to an interfund transfer of \$3.5 million to the Capital Allocation Fund, earmarked for the Transformation, as approved by Convocation, and planned for in conjunction with the 2023 budget.

The Law Society's Fund Balance Management Policy is to maintain a Lawyer General Fund balance within a minimum and maximum benchmark of two to three months of budgeted General Fund expenses. For 2023, the range is \$18.0 million to \$26.9 million.

As the lawyer General Fund balance was projected to be above the benchmark, the 2023 budget planned for the use of \$9.1 million of the fund balance as follows:

- \$4 million to fund operations in 2023 and mitigate annual fee increases,
- the \$3.5 million interfund transfer referenced above, which was completed in the first quarter of 2023, and
- a loan of \$1.6 million to the Capital Allocation Fund to facilitate the completion, as one tender, of essential preservation work and repairs to the Bencher Wing. This will allow for the saving of approximately \$500,000 through contractor economies

of scale. The loan will be recorded when payments out of the Capital Allocation Fund for work under the contract begin.

The above will bring the fund balance of the Lawyer General Fund close to upper threshold under the Fund Balance Management Policy by the end of 2023.

Paralegal General Fund

The Paralegal General Fund balance is \$2.4 million as of March 31, 2023. This decreased from \$2.8 million at the same time last year but increased from \$2.2 million at the end of 2022.

The Paralegal General Fund budget for 2023 incorporates the use of \$500,000 in fund balance toward operations and to mitigate the increase in annual fees for 2023.

Lawyer Pool of the Compensation Fund

The lawyer pool of the Compensation Fund ended the first quarter with a fund balance of \$23.2 million compared to the fund balance of \$27.5 million at the same time last year. While this is above the Fund Balance Management Policy's minimum benchmark of \$19.6 million, investment losses or notable claims activity could bring the fund balance below the minimum benchmark.

Paralegal Pool of the Compensation Fund

The paralegal pool of the Compensation Fund balance ended the first quarter with a fund balance of \$830,000 compared to a fund balance of \$861,000 at the same time last year.

Errors & Omissions Insurance Fund

The fund balance at the end of March 2023 was \$45.6 million which is an increase from a balance of \$44.8 million as of December 31, 2022. The 2023 budget plans for an interfund transfer of \$1.2 million from the E&O Fund to the Lawyer General Fund from surplus investment income. This transfer is usually recorded in the latter part of the year.

Capital Allocation Fund

As at March 31, 2023 the Capital Allocation Fund had a fund balance of \$17.1 million. Of this balance, through Convocation approved interfund transfers, the Capital Allocation Fund has \$12.6 million restricted for the Transformation, with the remainder available to fund other planned capital projects.

Statement of Financial Position

Cash & Short-Term Investments

The total of cash and short-term investments at the end of the first quarter is \$110.3 million (2022 - \$103.6 million). Of this amount, \$17.2 million (2022 - \$13.5 million) pertains to the Compensation Fund and is held in separate bank accounts and short-term investments.

The cash balance will decrease during 2023 as the collection of annual fees is highest in the first quarter while disbursements occur throughout the year. The Law Society has sufficient working capital on hand to discharge its short and medium-term obligations.

Accounts Receivable

Accounts receivable at the end of the third quarter are \$78.2 million, an increase from the prior year's balance of \$73.4 million. The increase in the accounts receivable is consistent with the increase in the annual fees and insurance premiums in 2023.

Loan Receivable

In 2018, the Law Society contributed to a subordinated syndicated loan with all other Canadian law societies to fund CanLII's purchase of all the shares of Lexum Informatique Juridique Inc. ("Lexum"). Lexum is a software company that operates online legal information delivery products primarily for CanLII. The total amount of the loan is \$1.7 million and matured on February 23, 2023. The loan was repaid in full on May 18, 2023. Interest continued to be earned on the loan until the repayment date.

Portfolio Investments

Portfolio investments are shown at a fair value of \$81.5 million (2022 - \$81.1 million), of which \$20.3 million pertains to the General Funds, \$38.5 million pertains to the Compensation Fund, and \$22.7 million pertains to the E&O Fund.

In the first three months of 2023, the portfolio investments had unrealized gains of \$3.0 million. However, market volatility in the subsequent months resulted in additional unrealized gains of \$1.1 million that were eliminated in the month of May.

Deferred Revenue

Deferred revenue comprises of annual fees, licensing process revenues, and insurance premiums which are recognized over the full year. The balance at the end of March 2023 is \$156.5 million (2022 - \$142.0 million). The increase in deferred revenue balances is consistent with the increase in the underlying fees in 2023.

Provision for Unpaid Grants Liability

The provision for unpaid grants liability represents the estimate for unpaid grants and inquiries against the Compensation Fund, supplemented by the costs for processing these grants. The current balance of \$28.3 million increased from \$23.2 million in 2022 as the Fund has received significant inquiries and claims against three lawyer licensees during 2022. The total Compensation Fund provision for unpaid grants includes \$357,000 relating to paralegal unpaid grants and inquires.



Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at March 31

	2023	2022
Assets		
Current Assets		
Cash	87,031	87,790
Short-term investments	23,261	15,808
Accounts receivable	78,191	73,420
Prepaid expenses	91,474	82,818
Total current assets	279,957	259,836
Investment in subsidiaries	35,642	35,642
Portfolio investments	81,452	81,111
Loan receivable	1,720	1,701
Capital assets	7,311	6,335
Intangible assets	2,738	2,364
Total Assets	408,820	386,989
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	9,556	8,835
Deferred revenue	156,509	142,011
Due to LAWPRO	70,462	63,672
Total current liabilities	236,527	214,518
Provision for unpaid grants/claims	28,250	23,211
Unclaimed trust funds	7,920	7,152
Lease obligations	763	794
Total Liabilities	273,460	245,675
Fund Balances		
General funds		
Lawyers	34,562	36,888
Paralegals	2,353	2,783
Restricted funds		
Compensation - lawyers	23,211	27,489
Compensation - paralegals	830	861
Errors and omissions insurance	45,609	56,616
Capital allocation	17,107	6,624
Invested in capital and intangible assets	10,049	8,698
County libraries	161	104
Other	1,478	1,251
Total Fund Balances	135,360	141,314
Total Liabilities and Fund Balances	408,820	386,989

Statement of Revenues and Expenses and Change in Fund Balances

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023	2022	2023	2022	2023	2022	2023	2022
	General Fund Lawyer		General Fund Paralegal		Restricted Funds		Total	
Revenues								
Annual fees	18,419	17,332	1,560	1,442	4,520	3,016	24,499	21,790
Insurance premiums and levies	-	-	-	-	26,378	26,664	26,378	26,664
Professional development and competence	3,822	3,067	793	821	-	-	4,615	3,888
Investment income	324	80	41	10	484	199	849	289
Change in fair value of investments	925	(884)	95	(114)	1,954	(2,729)	2,974	(3,727)
Other	1,930	1,742	255	260	255	525	2,440	2,527
Total revenues	25,420	21,337	2,744	2,419	33,591	27,675	61,755	51,431
Expenses								
Professional regulation, tribunals and compliance	7,625	7,273	451	428	-	-	8,076	7,701
Professional development and competence	6,810	5,903	877	797	-	-	7,687	6,700
Corporate services	7,593	6,795	947	848	-	-	8,540	7,643
Convocation, policy and outreach	1,611	1,467	169	153	-	-	1,780	1,620
Services to licensees and public	1,366	1,244	109	95	-	-	1,475	1,339
Restricted	-	-	-	-	33,256	33,456	33,256	33,456
Total expenses	25,005	22,682	2,553	2,321	33,256	33,456	60,814	58,459
Excess of revenues over expenses (expenses over revenues)	415	(1,345)	191	98	335	(5,781)	941	(7,028)
Fund balances, beginning of year	37,746	38,333	2,162	2,685	94,511	107,324	134,419	148,342
Interfund transfers	(3,599)	(100)	-	-	3,599	100	-	-
Fund balances, end of period	34,562	36,888	2,353	2,783	98,445	101,643	135,360	141,314

Schedule of Restricted Funds

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023							2022	
	Compensation Fund		Errors and omissions insurance	Capital allocation	Invested in capital and intangible assets	County libraries	Other restricted	Total	Total
	Lawyer	Paralegal							
Fund balances, beginning of year	21,705	746	44,785	15,191	10,614	177	1,293	94,511	107,324
Revenues									
Annual fees	1,071	17	-	899	-	2,433	100	4,520	3,016
Insurance premiums and levies	-	-	26,378	-	-	-	-	26,378	26,664
Investment income	328	17	139	-	-	-	-	484	199
Change in fair value of investments	1,206	63	685	-	-	-	-	1,954	(2,729)
Other	255	-	-	-	-	-	-	255	525
Total revenues	2,860	97	27,202	899	-	2,433	100	33,591	27,675
Total expenses	1,354	13	26,378	2,483	565	2,449	14	33,256	33,456
Excess of revenues over expenses (expenses over revenues)	1,506	84	824	(1,584)	(565)	(16)	86	335	(5,781)
Interfund transfers	-	-	-	3,500	-	-	99	3,599	100
Fund balances, end of period	23,211	830	45,609	17,107	10,049	161	1,478	98,445	101,643



Lawyers and Paralegals General Fund Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	19,979	19,956	23	18,774
Professional development and competence	4,615	4,414	201	3,888
Investment income	365	230	135	90
Change in fair value of investments	1,020	-	1,020	(998)
Other	2,185	1,677	508	2,002
Total revenues	28,164	26,277	1,887	23,756
EXPENSES				
Professional regulation, tribunals and compliance	8,076	9,072	996	7,701
Professional development and competence	7,687	8,547	860	6,700
Corporate services	8,540	8,687	147	7,643
Convocation, policy and outreach	1,780	2,903	1,123	1,620
Services to licensees and public	1,475	1,574	99	1,339
Total expenses	27,558	30,783	3,225	25,003
Excess of revenues over expenses (expenses over revenues)	606	(4,506)	5,112	(1,247)



**General Fund - Lawyers
Schedule of Revenues and Expenses**

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	18,419	18,393	26	17,332
Professional development and competence	3,822	3,617	205	3,067
Investment income	324	205	119	80
Change in fair value of investments	925	-	925	(884)
Other	1,930	1,474	456	1,742
Total revenues	25,420	23,689	1,731	21,337
EXPENSES				
Professional regulation, tribunals and compliance	7,625	8,577	952	7,273
Professional development and competence	6,810	7,526	716	5,903
Corporate services	7,593	7,713	120	6,795
Convocation, policy and outreach	1,611	2,628	1,017	1,467
Services to licensees and public	1,366	1,460	94	1,244
Total expenses	25,005	27,904	2,899	22,682
Excess of revenues over expenses (expenses over revenues)	415	(4,215)	4,630	(1,345)



**General Fund - Paralegals
Schedule of Revenues and Expenses**

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	1,560	1,563	(3)	1,442
Professional development and competence	793	797	(4)	821
Investment income	41	25	16	10
Change in fair value of investments	95	-	95	(114)
Other	255	203	52	260
Total revenues	2,744	2,588	156	2,419
EXPENSES				
Professional regulation, tribunals and compliance	451	495	44	428
Professional development and competence	877	1,021	144	797
Corporate services	947	974	27	848
Convocation, policy and outreach	169	275	106	153
Services to licensees and public	109	114	5	95
Total expenses	2,553	2,879	326	2,321
Excess of revenues over expenses (expenses over revenues)	191	(291)	482	98



Lawyers and Paralegals Compensation Fund Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	1,088	1,089	(1)	23
Investment income	345	319	26	156
Change in fair value of investments	1,269	-	1,269	(1,725)
Recoveries	255	87	168	525
Total revenues	2,957	1,495	1,462	(1,021)
EXPENSES				
Provision for unpaid grants	1,186	1,316	130	2,465
Administrative	181	205	24	183
Total expenses	1,367	1,521	154	2,648
Excess of revenues over expenses (expenses over revenues)	1,590	(26)	1,616	(3,669)



Compensation Fund - Lawyers Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	1,071	1,071	-	21
Investment income	328	303	25	148
Change in fair value of investments	1,206	-	1,206	(1,639)
Recoveries	255	83	172	523
Total revenues	2,860	1,457	1,403	(947)
EXPENSES				
Provision for unpaid grants	1,182	1,275	93	2,445
Administrative	172	195	23	174
Total expenses	1,354	1,470	116	2,619
Excess of revenues over expenses (expenses over revenues)	1,506	(13)	1,519	(3,566)



Compensation Fund - Paralegals Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	17	18	(1)	2
Investment income	17	16	1	8
Change in fair value of investments	63	-	63	(86)
Recoveries	-	4	(4)	2
Total revenues	97	38	59	(74)
EXPENSES				
Provision for unpaid grants	4	41	37	20
Administrative	9	10	1	9
Total expenses	13	51	38	29
Excess of revenues over expenses (expenses over revenues)	84	(13)	97	(103)



Compensation Fund
Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at March 31

Assets	2023	2022
Current Assets		
Cash	13,703	13,463
Short-term investments	3,500	-
Total Current Assets	17,203	13,463
Portfolio investments	38,536	38,355
Total Assets	55,739	51,818
Liabilities and Fund Balance		
Current Liabilities		
Accounts payable and accrued liabilities	135	140
Deferred revenue	3,266	68
Due to General Fund	48	50
Total Current Liabilities	3,449	258
Provision for unpaid grants/claims - lawyers	27,892	22,819
Provision for unpaid grants/claims - paralegals	357	391
Total Liabilities	31,698	23,468
Fund balance - lawyers	23,211	27,489
Fund balance - paralegals	830	861
Total Fund Balance	24,041	28,350
Total Liabilities and Fund Balance	55,739	51,818



Errors & Omissions Insurance Fund
Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at March 31

	2023	2022
Assets		
Current Assets		
Cash	810	654
Accounts receivable	46,208	42,807
Prepaid E&O premiums incurred	90,381	81,971
Total Current Assets	137,399	125,432
Investment in subsidiary	35,642	35,642
Portfolio investments	22,654	22,518
Total Assets	195,695	183,592
Liabilities and Fund Balance		
Current Liabilities		
Due to LawPRO	70,516	63,669
Unearned E&O premiums recovered	69,270	63,307
Due to General Fund	1,200	-
Due to Capital Fund	9,100	-
Total Current Liabilities	150,086	126,976
Fund Balance	45,609	56,616
Total Liabilities and Fund Balance	195,695	183,592



**Errors and Omissions Insurance Fund
Schedule of Revenues and Expenses and Change in Fund Balance**

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2023 Actual	2022 Actual
REVENUES		
Insurance premiums and levies	26,378	26,664
Investment income	139	43
Change in fair value of investments	685	(1,004)
Total revenues	27,202	25,703
EXPENSES		
Insurance	26,378	26,664
Total expenses	26,378	26,664
Excess of revenues over expenses (expenses over revenues)	824	(961)
Change in fund balance	824	(961)
Fund balance, beginning of year	44,785	57,577
Fund balance, end of period	45,609	56,616

Appendix A

Law Society of Ontario

General Funds & Restricted Funds

General Funds

The Lawyer General Fund and Paralegal General Fund (General Funds) account for the Law Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. These funds report unrestricted resources.

Funding for the General Funds comes from a variety of sources, licensee annual fees, licensing process candidate fees, investment income, royalties and other ancillary revenues.

The Law Society's policy is to maintain the Lawyer General Fund balance at no less than two and no more than three months of General Fund budgeted expenses. Based on the 2022 budget, the lower and upper benchmarks are \$17.1 million and \$25.6 million.

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

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

If the Lawyer General 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 Lawyer General 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 balance for one or more of the following:

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

Restricted Funds

Compensation Fund

The Law 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 from licensees for whom compensation grants were previously paid. The Compensation Fund accounts for program delivery, administration and payment of grants and has separate fund balances and annual fees for lawyer licensees and paralegal licensees.

The Law Society's policy is to maintain the lawyer pool of the 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. Based on the review completed in 2020, the lower and upper benchmarks for the lawyer pool of the Compensation Fund as approved by Convocation are \$18.5 million to \$96.3 million.

If the lawyer pool of the 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 pool of the 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 pool of the 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 Law 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 Law 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 balance.

The E&O Fund is administered by LAWPRO on behalf of the Law Society under the terms of a management services agreement. Under this arrangement, LAWPRO bills, on behalf of the Law Society¹ through the E&O Fund, and collects Law Society insurance levies from lawyers and pays the annual insurance premium charged to the Law Society from the E&O Fund to LAWPRO.

¹ The invoices are issued in the name of the Law Society of Ontario

Capital Allocation Fund

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Law Society's capital and intangible assets which comprise buildings and major equipment including computers and software. Amounts of assets capitalized, according to the Law 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.

The Capital Allocation Fund is funded by the annual fee paid by all licensees.

Invested in Capital and Intangible Assets Fund

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

County Libraries Fund

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

The County Libraries Fund is funded by annual fees paid by lawyer licensees.

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 Law 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.

The Repayable Allowance and the PLAP Funds support initiatives that are specific to lawyers and as such, are funded strictly by lawyer licensee annual fees. The Paralegal Standing Committee has historically considered the impact on paralegal annual fees of offering these two programs to paralegals and decided to not expand the scope to include eligibility for paralegals.

FOR INFORMATION

LiRN Inc. Financial Statements for the Three Months ended March 31, 2023

The Audit & Finance Committee recommends the financial statements for LiRN Inc. for the three months ended March 31, 2023, be received by Convocation 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”), all shareholders of the organization.

LiRN is a wholly owned subsidiary of the Law Society with 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 the 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 and have been approved by LiRN’s board of directors.

LiRN is fully funded by the Law Society through the lawyer’s annual fee. The County Libraries Fund component of the annual fee approved by Convocation for 2023 is \$200 per lawyer. The actual grant to LiRN is determined and approved as part of the Law Society annual budget process.

Any variance resulting from the imposition of the per lawyer fee on the actual number of lawyers billed and the grant paid to LiRN is retained in the Law Society’s County Libraries Fund. This Fund Balance is available to mitigate the future LiRN component of the annual fee or to support LiRN operations at the discretion of Convocation. Grants to the 48 county libraries account for most of LiRN’s expenditures, with the balance being centralized expenses such as access to online research products.

A summary of the key highlights is at **Tab 3.2.1** and the financial statements begin at **Tab 3.2.2**.



Legal Information and Resource Network

Financial Results

For the three months ended March 31, 2023

Overall Results

1. Consolidated results for the first quarter, which includes the General and Transitional Funds, show an excess of revenues over expenses of \$63,921 which is comparable to this period in 2022. The prorated 2023 budget for the first quarter planned for an excess of revenues over expenses of \$30,809.
2. The favourable variance from budget in revenues and expenses of \$33,112 for the period are attributed to the following items:
 - lower than planned head office and administrative expenses
 - lower actual costs for group benefits and administration
 - unbudgeted interest income on bank account holdings

Revenues

3. The Law Society of Ontario grant includes amounts for central administration, transitional expenses and quarterly transfers to the 48 county law libraries. Grant revenue from the Law Society was \$2.45 million. This is higher compared to the revenues for this period in 2022 as a result of the overall funding increase approved as part of the Law Society's 2023 budget.
4. Interest on LiRN's operating bank account for the first three months of 2023 was \$7,420. This is a significant increase over interest earned for this period in 2022 given the steady increase in interest rates in the past several months.

Expenses

5. Total operational expenses were \$2.4 million, approximately \$12,000 less than budget.
6. Head-office administration expenses of \$82,641 which includes staffing related costs and outsourced financial administration, are slightly less than budget as actual incurred expenses for benefits were lower than anticipated for the period.
7. Professional fees for the period totaled \$4,200, representing costs allocated for the annual audit. The budget for the period of \$11,000 includes amounts for the audit as well as other legal/advisory services, with no spending on the latter to date. The budget was allocated equally across each quarter and it is expected that the variance will edge down as these services are engaged throughout the year.
8. Other head-office expenses, totalling \$6,786 includes a variety of individual expense items including insurance, costs of governance meetings, staff & travel and continuing professional development. These items collectively remain under budget due to the continued savings realized through virtual board meetings.
9. Electronic products and services include the costs for licenses to access various electronic legal research products, which totaled \$264,255 for the period. This exceeds the budgeted amount by \$31,755. This negative variance will persist and likely grow throughout the year as the budget did not account for taxes billed on some of the services. This spending in excess of budget may be offset by savings in other expense areas with positive variances over the course of the year¹ or the General Fund balance².
10. Group benefits and insurance expenses of \$90,990 were less than budget, resulting in a positive variance of \$21,009. These savings will likely continue for the balance of the year as LiRN's property insurance covering library contents and collections across the network have decreased with the policy renewed this month. The group benefit plan will be renewed in the coming months and will likely see an increase in premiums. This was planned for in the 2023 budget. For 2023, increasing group benefit coverage related to vision care and mental health services is being considered, which would increase costs by about \$5,000

¹ Group benefit costs are underbudget for the first quarter and if this trend continues, it will offset some of the unbudgeted spending in electronic products.

² The fund balance of the General Fund increased by \$167,000 at the end of 2022. We could encroach on this balance if required.

a year. This increase may be funded from monies held in a deposit account with the group benefit provider.

11. Other centralized expenses of \$15,168, including library courier costs and publications by the Law Society to each of the 48 county law libraries, were in-line with the budget.
12. County and district law libraries grants of \$1.93 million are roughly \$120,000 higher than the first quarter of 2022. This is a direct result of the increase in total grant funding from the Law Society to LiRN in 2023.
13. Transitional expenses for the period of \$2,965 represent the remainder of IT equipment purchases for association libraries that began in 2022. The 2023 transitional budget included funding to engage an independent business analyst to assess LiRN's network and to identify opportunities to enhance interconnectivity and remote access among the association libraries, as part of the strategic plan and have not yet been incurred, which accounts for the variance of \$14,000.

Statement of Financial Position

14. Cash and short-term investments of \$1 million increased from the same period in 2022 (\$738,733) due to the excess of revenues over expenses in the intervening period.
15. Accounts receivable of \$26,535 includes amounts owed to LiRN by various associations for benefits.
16. Accounts payable and accrued liabilities of \$114,124 are higher than at this time in 2022 (\$83,193) primarily due to invoice amounts for electronic products now higher in value and the timing of payment of invoices.
17. The balance of the General Fund has increased from \$257,000 to \$399,000 as at March 31, 2023 based on the excess of revenues over expenses for the period of April 2022 to March 2023.
18. The Reserve Fund has a balance at the end of March of both years of \$500,000.



Legal Information and Resource Network

STATEMENT OF FINANCIAL POSITION

Stated in dollars

As at March 31, 2023

Unaudited

	2023	2022
Assets		
Current Assets		
Cash	1,002,605	738,773
Accounts receivable	26,535	92,309
Prepaid expenses	11,296	9,360
Total Assets	1,040,436	840,442
Liabilities, Share Capital & Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	114,124	83,193
Total Liabilities	114,124	83,193
Share Capital & Fund Balances		
Share capital	200	200
General fund	399,077	257,049
Reserve fund	500,000	500,000
Transitional fund	27,035	-
Total Share Capital & Fund Balances	926,312	757,249
Total Liabilities, Share Capital & Fund Balances	1,040,436	840,442



Legal Information and Resource Network

STATEMENT OF REVENUES AND EXPENSES

Stated in dollars

For the period ended March 31, 2023

Unaudited	General Fund				Transitional Fund				Combined	
	2023 Actual	YTD Budget	YTD Variance	Annual Budget	2023 Actual	YTD Budget	YTD Variance	Annual Budget	2023 YTD Actual	2022 Actual
Revenues										
Law Society of Ontario grant	2,418,892	2,418,892	-	9,452,427	30,000	30,000	-	120,000	2,448,892	2,206,882
Interest income	7,420	-	7,420	-	-	-	-	-	7,420	604
Total Revenues	2,426,312	2,418,892	7,420	9,452,427	30,000	30,000	-	120,000	2,456,312	2,207,486
Expenses										
Head Office / Administration										
Administration	82,641	86,006	3,365	344,025	-	-	-	-	82,641	73,919
Professional fees	4,200	11,000	6,800	44,000	-	-	-	-	4,200	4,849
Other	6,786	19,049	12,263	83,000	-	-	-	-	6,786	6,109
Total Head Office / Administration Expenses	93,627	116,055	22,428	471,025	-	-	-	-	93,627	84,877
Law Libraries - Centralized Purchases										
Electronic products and services	264,255	232,500	(31,755)	930,000	-	-	-	-	264,255	167,000
Group benefits and insurance	90,990	111,999	21,009	448,000	-	-	-	-	90,990	82,549
IT Infrastructure	-	-	-	-	2,965	17,143	14,178	120,000	2,965	-
Other	15,168	15,000	(168)	125,000	-	-	-	-	15,168	6,526
Total Law Libraries - Centralized Purchases	370,413	359,499	(10,914)	1,503,000	2,965	17,143	14,178	120,000	373,378	256,075
County and district law libraries grants	1,925,386	1,925,386	-	7,478,402	-	-	-	-	1,925,386	1,804,283
Total County and District Law Libraries Expenses	1,925,386	1,925,386	-	7,478,402	-	-	-	-	1,925,386	1,804,283
Total Expenses	2,389,426	2,400,940	11,514	9,452,427	2,965	17,143	14,178	120,000	2,392,391	2,145,235
Excess of Revenues over Expenses	36,886	17,952	18,934	-	27,035	12,857	14,178	-	63,921	62,251



Legal Information and Resource Network

STATEMENT OF CHANGES IN FUND BALANCES

Stated in dollars

For the period ended March 31, 2023

Unaudited

	2023				2022
	General Fund	Reserve Fund	Transitional Fund	Total	
Balance, beginning of year	362,191	500,000	-	862,191	694,798
Excess of revenues over expenses	36,886	-	27,035	63,921	62,251
Balance, end of period	399,077	500,000	27,035	926,112	757,049

FOR INFORMATION

Investment Compliance Reports for the Three Months Ended March 31, 2023

The Audit & Finance Committee recommends the Investment Compliance Reports for the three months ended March 31, 2023 be received by Convocation for information.

Under section 5 of the Law Society Investment Policy (“Policy”), Law Society Management is required to report quarterly to the Audit & Finance Committee on compliance with legislative requirements and the Policy.

The Law Society and its investment manager have complied with the investment objectives of the Policy for the quarter ended March 31, 2023, as set out in the following reports:

- Investment Compliance Report – Short Term Investments – Q1
- CCL Investment Compliance Report – Q1

**Statement of Investment Compliance Short-Term Investments
For the Quarter Ended March 31, 2023**

Short-Term Investment Parameters	Guidelines	Compliance
Allowable Investments		
Treasury bills issued by the Government of Canada, Provincial governments, and their agencies	Allowed	Yes
Bankers acceptances	Allowed	Yes
Commercial paper issued by Canadian corporations with a rating of "R1 low" or better as established by The Dominion Bond Rating service or equivalent rating	Allowed	Yes
Pooled Money Market Fund	Allowed	Yes
Concentration Tests		
Securities of any one single issuer	Maximum 10% of each	Yes
Maximum term to maturity	1 year	Yes



Christianne Abou-Saab
Director, Finance

March 31, 2023

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario

Concentration Tests	Guidelines	Actual	Compliance	
Cash				
Cash as a % of the CC&L Short Term Bond Fund (excluding any cash designated to collateralize derivatives exposure)		25.0 %	10.5 %	Yes
Fixed Income				
Single corporate issuer (excluding Schedule 1 Banks) as a % of the CC&L Group Money Market Fund		10.0 %	5.0 %	Yes
Government of Canada and guaranteed bonds as a % of the CC&L Short Term Bond Fund		100.0 %	56.0 %	Yes
Provincial securities as a % of the CC&L Short Term Bond Fund		80.0 %	0.0 %	Yes
Municipal securities as a % of the CC&L Short Term Bond Fund		10.0 %	0.0 %	Yes
Non-government securities as a % of the CC&L Short Term Bond Fund		70.0 %	34.0 %	Yes
Mortgage-backed securities as a % of the CC&L Short Term Bond Fund		25.0 % max	0.0 %	Yes
Asset-backed securities as a % of the CC&L Short Term Bond Fund		25.0 % max	0.0 %	Yes
Corporate bonds as a % of the CC&L Short Term Bond Fund		65.0 % max	34.0 %	Yes
Corporate bonds with a BBB credit rating as a % of the CC&L Short Term Bond Fund		20.0 % max	14.4 %	Yes
Single corporate issuer (excluding Schedule 1 Banks) as a % of the CC&L Short Term Bond Fund		10.0 % max	1.5 %	Yes
Duration of the CC&L Short Term Bond Fund	1.0 yrs to	5.0 yrs	2.6 yrs	Yes
Equities				
Securities of a single issuer for the global equity portfolio will not exceed the greater of 10% of the market value of the total global equity portfolio or that equity's weight in the MSCI World Index				Yes
Securities of a single issuer for the Canadian equity portfolio will not exceed the greater of 10% of the market value of the total Canadian equity portfolio or that equity's weight in the S&P/TSX Capped Composite Index				Yes
Total Portfolio				
Leverage is prohibited				Yes
Exclusion Tests			Compliance	
Cash				
Maximum effective term to maturity of Floating Rate Notes cannot exceed 3 months				Yes
Maximum term to maturity of short term securities (excl FRNS) cannot exceed 1 year				Yes
Cash securities must have a minimum R1-Low credit rating at time of purchase				Yes
Fixed Income				
Minimum BBB- credit rating allowed				Yes
Minimum P2 preferred share rating allowed				Yes

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario (General Fund)

Concentration Tests	Min	Target	Max	Actual	Compliance
Asset Mix					
Fixed income as a % of the total portfolio	40.0 %	50.0%	60.0 %	49.1 %	Yes
Total Equities as a % of the total portfolio	40.0 %	50.0%	60.0 %	50.9 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	23.0 %	33.0%	43.0 %	34.3 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	7.0 %	17.0%	27.0 %	16.6 %	Yes
CC&L Group Money Market Fund as a % of the total portfolio	0.0 %	0.0%	15.0 %	0.0 %	Yes
CC&L Short Term Bond Fund as a % of the total portfolio	35.0 %	50.0%	60.0 %	49.1 %	Yes

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario (Compensation Fund)

Concentration Tests	Min	Target	Max	Actual	Compliance
Asset Mix					
Fixed income as a % of the total portfolio	55.0 %	65.0%	75.0 %	64.3 %	Yes
Total Equities as a % of the total portfolio	25.0 %	35.0%	45.0 %	35.7 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	13.0 %	23.0%	33.0 %	23.9 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	2.0 %	12.0%	22.0 %	11.8 %	Yes
CC&L Group Money Market Fund as a % of the total portfolio	0.0 %	0.0%	15.0 %	0.0 %	Yes
CC&L Short Term Bond Fund as a % of the total portfolio	50.0 %	65.0%	75.0 %	64.3 %	Yes

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario (Errors & Omissions)

Concentration Tests	Min	Target	Max	Actual	Compliance
Asset Mix					
Fixed income as a % of the total portfolio	60.0 %	70.0%	80.0 %	69.4 %	Yes
Total Equities as a % of the total portfolio	20.0 %	30.0%	40.0 %	30.6 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	10.0 %	20.0%	30.0 %	20.8 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	0.0 %	10.0%	20.0 %	9.9 %	Yes
CC&L Group Money Market Fund as a % of the total portfolio	0.0 %	0.0%	15.0 %	0.0 %	Yes
CC&L Short Term Bond Fund as a % of the total portfolio	55.0 %	70.0%	80.0 %	69.4 %	Yes