



Law Society  
of Ontario

Barreau  
de l'Ontario

Tab 6

## **Audit & Finance Committee**

### **Report to Convocation**

### **For Information**

February 29, 2024

**Committee Members:**

Sidney Troister (Chair)  
Michelle Lomazzo (Vice Chair)  
Rebecca Durcan  
Laura Emmett  
Heather Hansen  
Howard Levitt  
Atrisha Lewis  
Hassan Pirnia  
Michael Radan  
Stephen Rotstein  
Mark Surchin  
Trevor Townsend

**Authored By:**

Finance  
Brenda Albuquerque-Boutilier  
Executive Director, Finance & CFO



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# FOR INFORMATION

## LiRN Inc. Financial Statements for the Nine Months ended September 30, 2023

The Audit & Finance Committee receives quarterly financial statements from LiRN Inc. (“LiRN”) for review and presents the statements to Convocation for information. These statements have been approved by LiRN’s board of directors.

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.

LiRN is funded by the Law Society through the lawyer’s annual fee. 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 6.1.1** followed by the financial statements at **Tab 6.1.2**.



Legal Information and Resource Network

## Financial Statements for the Nine Months to September 30, 2023

### KEY POINT SUMMARY

#### Overall Results

1. The results for the third quarter show an excess of operating revenues over expenses of \$43,139, before factoring the recovery of excess fund balances<sup>1</sup> from the county law libraries under the Grant Administration Policy implementation plan.
2. Excess fund balance recoveries to date total \$165,322. The funds were recovered by deduction from the current year's quarterly grant amount except for one library that repaid the full amount by cheque.
3. The combination of the excess of revenues over expenses from operations and the excess fund balance recoveries result in total revenues exceeding expenses by \$208,461 for the period, with a similar year to date increase in fund balances, with the General Fund increasing by \$158,461, and \$50,000 allocated to establish the Capital Fund, approved by the Board in June 2023.
4. The significant increase in cash and offsetting deferred revenue reflects the following receipts:
  - the \$700,000 first installment of the LFO grant of which \$11,700 has been allocated to offset salaries of the Managing Director and Roving Librarian while they support the Innovation and Equity Project, and
  - a \$2.02 million grant from the Law Society to fund the fourth quarter grant payments to the county law libraries and LiRN operations. The Law Society scheduled the transfer for October 2, 2023 but it was released by the bank on September 29, 2023 in error.

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<sup>1</sup> The excess fund balances are the result of grants to the county law associations for library purposes exceeding expenses as identified through the trial balance reporting submitted by each association.

## Statement of Revenues and Expenses

5. The excess of revenues over expenses of \$43,139 is lower for this period, compared to the prior year, primarily a result of increased expenses in electronic products and generally across all expense items.
6. The favourable variance from budget in revenues and expenses (exclusive of the fund balance recovery) of \$182,757 for the period is attributed to:
  - lower than planned head office expenses for professional fees (see point 7 below),
  - lower actual costs for group benefits and administration,
  - unbudgeted interest income on bank account holdings, with Bank of Canada rates ranging from 4.25% at the beginning of the year to 5% at the end of the quarter.
7. The 2023 budget included funding of \$120,000 to engage an independent business analyst to assess LiRN's network and to identify opportunities to enhance interconnectivity and remote access. As funding from the Law Society for transitional expenses is not contingent on actual spending, unlike in 2022, these expenses are incorporated into the regular operating budget under "Professional Fees", effectively closing out the Transitional Fund. The contract for the network analysis was executed in the third quarter with, actual expenses incurred beginning in October, explaining the positive budget variance.

## Revenues

8. The Law Society of Ontario grant includes amounts for LiRN central administration, transitional expenses and quarterly funding to the 48 county law libraries. Grant revenue from the Law Society was \$7.2 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.
9. Interest on LiRN's operating bank account for the first nine months of 2023 was \$31,995. This is a significant increase over interest earned for this period in 2022 and follows the steady increase in interest rates since mid-2022 and continuing into 2023.
10. In the fourth quarter, LiRN is expecting to receive approximately \$100,000 from Canada Life as a return of funds held in a refundable deposit account associated

with LiRN's group benefits policy. This account is an accumulated holdback of excess premium contributions over claim payouts and required reserves to fund future claims. The \$100,000 will increase LiRN's available General Fund balance and was anticipated in planning the 2024 budget.

## Expenses

11. Total operational expenses were \$7.2 million, approximately \$150,000 less than budget.
12. Head-office administration expenses of \$265,546, which includes staffing related costs and some outsourced financial administration, are slightly above budget for the period. This is a result of the out-of-budget salary for the part-time assistant hired to support LiRN's administrative needs, to be funded by available fund balance as approved by the Board. As noted in paragraph 4, \$11,700 of administrative salaries are allocated to the Innovation and Equity Project and are offset by LFO grant funding.
13. Professional fees for the period totaled \$12,782, representing accrued expenses for the annual audit. The budget 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. A negative variance is expected by the end of the year because of the increase in the annual audit fee and as other professional services are engaged in the final quarter.
14. Other head-office expenses, totaling \$39,033, include individual expense items such as, 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.
15. Electronic products and services include the costs for licenses to access various electronic legal research products, which totaled \$798,825 for the period. This exceeds the budgeted amount by \$101,325. This negative variance will grow in the final quarter as the budget did not account for taxes billed on some of the services and unexpected increases to some contracts. This spending in excess of budget may be offset by savings in other expense areas with positive variances over the course of the year<sup>2</sup> or the General Fund balance.<sup>3</sup>

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<sup>2</sup> Group benefit costs are underbudget for the first three quarters and will offset some of the unbudgeted spending in electronic products.

<sup>3</sup> The fund balance of the General Fund increased by \$167,000 at the end of 2022. We could encroach on this balance if required.

16. Group benefits and insurance expenses of \$267,487 were less than budget, resulting in a positive variance of \$ 68,510. These savings may dissipate slightly in the final quarter with expected increases in LiRN's property and liability insurance, and group benefit plans. While the renewed property insurance policy resulted in a modest increase to premiums, liability insurance premiums remained almost unchanged. There will also be an increase to group benefit premiums resulting from the decision to expand vision care benefit coverage for LiRN and county law library employees.
17. Other centralized expenses of \$35,644 include library courier costs, publications sent by the Law Society to each of the 48 county law libraries and some spending related to the Learn with LiRN conference. The total of these expenses is notably under budget, due to lower spending on publications, savings in courier costs, and the timing of the Learn with LiRN conference in October with most of the related expenses incurred in the fourth quarter.
18. Grants to the county law libraries of \$5.78 million are roughly \$350,000 higher than the same period of 2022. This is a direct result of the increase in total grant funding to law associations for county law library purposes from LiRN in 2023.

## **Statement of Financial Position**

19. Cash of \$3.8 million increased from \$860,000 compared to the same time last year due to the:
  - funding received from the LFO following LiRN's successful grant application. As noted above, the first installment of \$700,000 was received in June 2023 and is to fund expenses related to the Innovation and Equity Project.
  - receipt of approximately \$2.0 million in Law Society grant funding predominantly intended for fourth quarter payments of county law library grants.
20. Accounts receivable of \$27,038 includes amounts owed to LiRN by various associations for benefits as at the end of the period.
21. Prepaid expenses of \$73,504 comprise amounts paid for insurance, to be allocated over the policy period monthly to April 2024, and a deposit for the October 2023 Learn with LiRN conference.
22. Accounts payable and accrued liabilities of \$108,764 are slightly lower than at this time in 2022. Most of the payables are for electronic products.

23. As explained above in paragraphs 4, 12 and 19, deferred revenue of \$ 2.7 million represents:
- \$688,333 of the \$700,000 received from the LFO offset by expenses incurred to date and revenue recognized, and
  - \$2.02 million for the early receipt of fourth quarter Law Society grant funding.
24. The fund balance of the General Fund has increased from \$364,959 to \$520,652 as at September 30, 2023 based on the excess of revenues over expenses for the period October 2022 to September 2023.
25. The Capital Fund appears for the first time on this statement, and the Statement of Changes in Fund Balances, at its approved initial balance of \$50,000 transferred from the General Fund in July 2023.
26. The Reserve Fund has a balance at the end of September of both years of \$500,000.





Legal Information and Resource Network

STATEMENT OF FINANCIAL POSITION

*Stated in dollars*

*As at Sept 30*

Unaudited

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash	3,789,560	858,859
Accounts receivable	27,038	46,560
Prepaid expenses	73,504	74,785
<b>Total Assets</b>	<b>3,890,102</b>	<b>980,204</b>
<b>Liabilities, Share Capital &amp; Fund Balances</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	108,764	115,045
Deferred revenue	2,710,486	-
<b>Total Liabilities</b>	<b>2,819,250</b>	<b>115,045</b>
<b>Share Capital &amp; Fund Balances</b>		
Share capital	200	200
General fund	520,652	364,959
Capital fund	50,000	-
Reserve fund	500,000	500,000
<b>Total Share Capital &amp; Fund Balances</b>	<b>1,070,852</b>	<b>865,159</b>
<b>Total Liabilities, Share Capital &amp; Fund Balances</b>	<b>3,890,102</b>	<b>980,204</b>



Legal Information and Resource Network

**STATEMENT OF REVENUES AND EXPENSES**

*Stated in dollars*

*For the nine months ended Sept 30*

Unaudited

	2023			2022	
	Actual	YTD Budget	Variance	Annual Budget	YTD Actual
<b>Revenues</b>					
Law Society of Ontario grant	7,197,916	7,197,916	-	9,572,427	6,809,607
Law Foundation of Ontario grant	11,667	11,667	-		
Interest income	31,995	-	31,995	-	7,978
<b>Total Revenues</b>	<b>7,241,578</b>	<b>7,209,583</b>	<b>31,995</b>	<b>9,572,427</b>	<b>6,817,585</b>
<b>Expenses</b>					
<b>Head Office / Administration</b>					
Administration	265,546	276,021	10,475	344,025	233,558
Professional fees	12,782	123,000	110,218	164,000	17,220
Other	39,033	62,880	23,847	83,000	19,822
<b>Total Head Office / Administration Expenses</b>	<b>317,361</b>	<b>461,901</b>	<b>144,540</b>	<b>591,025</b>	<b>270,600</b>
<b>Law Libraries - Centralized Purchases</b>					
Electronic products and services	798,825	697,500	(101,325)	930,000	687,289
Group benefits and insurance	267,487	335,997	68,510	448,000	250,360
IT Infrastructure	2,965	-	(2,965)	-	-
Other	35,644	80,000	44,356	125,000	26,327
<b>Total Law Libraries - Centralized Purchases</b>	<b>1,104,921</b>	<b>1,113,497</b>	<b>8,576</b>	<b>1,503,000</b>	<b>963,976</b>
County and district law libraries grants	5,776,157	5,773,802	(2,355)	7,698,402	5,412,848
<b>Total County and District Law Libraries Expenses</b>	<b>5,776,157</b>	<b>5,773,802</b>	<b>(2,355)</b>	<b>7,698,402</b>	<b>5,412,848</b>
<b>Total Expenses</b>	<b>7,198,439</b>	<b>7,349,200</b>	<b>150,762</b>	<b>9,792,427</b>	<b>6,647,424</b>
<b>Excess of Revenues over Expenses (Expenses over Revenues) from Operations</b>	<b>43,139</b>	<b>(139,617)</b>	<b>182,757</b>	<b>(220,000)</b>	<b>170,161</b>
<b>Recovered County Library Excess Fund Balances</b>	<b>165,322</b>	<b>146,667</b>	<b>18,655</b>	<b>220,000</b>	<b>-</b>
<b>Excess of Revenues over Expenses (Expenses over Revenues)</b>	<b>208,461</b>	<b>7,050</b>	<b>201,412</b>	<b>-</b>	<b>170,161</b>



Legal Information and Resource Network

**STATEMENT OF CHANGES IN FUND BALANCES**

*Stated in dollars*

*For the nine months ended Sept 30*

**Unaudited**

	<b>2023</b>				<b>2022</b>
	General Fund	Capital Fund	Reserve Fund	<b>Total</b>	
Balance, beginning of year	362,191	-	500,000	<b>862,191</b>	<b>694,798</b>
Excess of revenues over expenses	208,461	-	-	<b>208,461</b>	<b>170,161</b>
Interfund transfers	(50,000)	50,000	-	-	-
<b>Balance, end of period</b>	<b>520,652</b>	<b>50,000</b>	<b>500,000</b>	<b>1,070,652</b>	<b>864,959</b>

# FOR INFORMATION

## Investment Compliance Reports for the Quarter Ended December 31, 2023

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

The Committee receives for information the quarterly report on compliance with the Policy and it is presented to Convocation for information.

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

- 6.2.1 Investment Compliance Report – Short Term Investments – Q3
- 6.2.2 CCL Investment Compliance Report – Q3

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

Short-Term Investment Parameters	Guidelines	Compliance
<b>Allowable Investments</b>		
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
<b>Concentration Tests</b>		
Securities of any one single issuer	Maximum 10% of each	Yes
Maximum term to maturity	1 year	Yes




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Christianne Abou-Saab  
Director, Finance

December 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
<b>Cash</b>			
Cash as a % of the CC&L Short Term Bond Fund (excluding any cash designated to collateralize derivatives exposure)	25.0 %	1.4 %	Yes
<b>Fixed Income</b>			
Single corporate issuer (excluding Schedule 1 Banks) as a % of the CC&L Group Money Market Fund	10.0 %	4.3 %	Yes
Government of Canada and guaranteed bonds as a % of the CC&L Short Term Bond Fund	100.0 %	63.1 %	Yes
Provincial securities as a % of the CC&L Short Term Bond Fund	80.0 %	0.6 %	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 %	35.3 %	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	35.3 %	Yes
Corporate bonds with a BBB credit rating as a % of the CC&L Short Term Bond Fund	20.0 % max	15.2 %	Yes
Single corporate issuer (excluding Schedule 1 Banks) as a % of the CC&L Short Term Bond Fund	10.0 % max	2.1 %	Yes
Duration of the CC&L Short Term Bond Fund	1.0 yrs to 5.0 yrs	2.4 yrs	Yes
<b>Equities</b>			
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
<b>Total Portfolio</b>			
Leverage is prohibited			Yes
<b>Exclusion Tests</b>			<b>Compliance</b>
<b>Cash</b>			
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
<b>Fixed Income</b>			
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)**

<b>Concentration Tests</b>	<b>Min</b>	<b>Target</b>	<b>Max</b>	<b>Actual</b>	<b>Compliance</b>
<b>Asset Mix</b>					
Fixed income as a % of the total portfolio	40.0 %	50.0%	60.0 %	49.4 %	Yes
Total Equities as a % of the total portfolio	40.0 %	50.0%	60.0 %	50.6 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	23.0 %	33.0%	43.0 %	33.6 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	7.0 %	17.0%	27.0 %	17.0 %	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 %	49.4 %	Yes

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

**Law Society of Ontario (Compensation Fund)**

<b>Concentration Tests</b>	<b>Min</b>	<b>Target</b>	<b>Max</b>	<b>Actual</b>	<b>Compliance</b>
<b>Asset Mix</b>					
Fixed income as a % of the total portfolio	55.0 %	65.0%	75.0 %	64.5 %	Yes
Total Equities as a % of the total portfolio	25.0 %	35.0%	45.0 %	35.5 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	13.0 %	23.0%	33.0 %	23.4 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	2.0 %	12.0%	22.0 %	12.1 %	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 %	64.5 %	Yes

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

**Law Society of Ontario (Errors & Omissions)**

<b>Concentration Tests</b>	<b>Min</b>	<b>Target</b>	<b>Max</b>	<b>Actual</b>	<b>Compliance</b>
<b>Asset Mix</b>					
Fixed income as a % of the total portfolio	60.0 %	70.0%	80.0 %	69.5 %	Yes
Total Equities as a % of the total portfolio	20.0 %	30.0%	40.0 %	30.5 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	10.0 %	20.0%	30.0 %	20.3 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	0.0 %	10.0%	20.0 %	10.2 %	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 %	69.5 %	Yes