



**Law Society**  
of Ontario

**Barreau**  
de l'Ontario

# Financial Statements 2021



LAW SOCIETY OF ONTARIO

# 2021 Annual Financial Statements

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# LAW SOCIETY OF ONTARIO

## 2021 ANNUAL FINANCIAL STATEMENTS

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Summary of Financial Performance

The Law Society of Ontario's ("Society") Lawyer and Paralegal General Funds, which account for the Society's program delivery and administrative activities, ended the year with combined revenues in excess of expenses of \$9.0 million (2020 – \$4.1 million). To reduce annual fees for licensees, the 2021 budget incorporated funding of \$6.2 million from the fund balance of the Lawyer General Fund along with \$1.2 million in funding from surplus investment income in the Errors & Omissions Insurance Fund ("E&O Fund"). Similarly, the 2021 budget planned for utilization of \$1.1 million of the Paralegal General Fund balance to fund operations associated with the Paralegal General Fund. The use of the fund balances is based on the Society's Fund Balance Management Policy and not-for-profit budgeting best practices.

The Society's positive financial results compared to budget for 2021 in the General Funds were driven by three key factors: revenues exceeding budget (\$6.5 million), the continued impact of the COVID-19 pandemic on expenses (\$9.9 million), and the budgeted contingency not used (\$1 million). As the Society ended the year with revenues exceeding expenses, it did not use the fund balances as planned to supplement operations in 2021.

The Society's restricted funds are reporting combined excess of revenues over expenses of \$3.2 million in 2021 (2020 – \$10.9 million). The lawyer pool of the Compensation Fund is reporting revenues in excess of expenses of \$512,000 (2020 – \$8.7 million). At the end of 2020, after a three-year plan from 2018 to 2020 to restore the financial stability of the lawyer pool of the Compensation Fund, the fund balance was \$30.5 million. With the fund balance restored to above the minimum permissible threshold under the Society's Fund Balance Management Policy, the annual \$5 million levied from lawyers in each of the previous three years was not required. As a result, the Society was able to reduce the 2021 portion of the Compensation Fund annual fee for lawyers from \$219 to \$86. The Errors and Omissions Fund is reporting excess of revenues over expenses of \$2.2 million (2020 – \$941,000) primarily from the increase in fair value of its long-term investment portfolio.

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

##### Revenues

The Society implemented the 2021 Annual Fee COVID-19 Deferral Option ("Deferral Option") to assist licensees who were adversely impacted by the pandemic. The Deferral Option allowed licensees who were in sole practices, small firms or newly licensed and who met established criteria to defer payment of their 2021 annual fees until March 31, 2022.

##### Annual Fees

With an annual fee reduction of \$193 for lawyers and \$42 for paralegals approved in the 2021 budget, total annual fee revenues decreased to \$90.7 million (2020 – \$95.3 million). The reduction in annual fees was partially offset by an increase in the number of licensees billed in 2021.

### ***Insurance Premiums and Levies***

The E&O Fund accounts for insurance-related transactions between Lawyers' Professional Indemnity Company ("LAWPRO"), the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers and remits these amounts to LAWPRO. Insurance premiums and levies increased to \$113.7 million in 2021 (2020 – \$101.8 million). Transaction levies increased by \$10.4 million, a 44% increase over 2020, as civil litigation and real estate transaction volumes rose significantly in 2021. The base premium for professional liability insurance coverage for Ontario lawyers increased to \$3,000 in 2021 from \$2,950 in 2020.

### ***Professional Development & Competence ("PD&C")***

PD&C revenue comprises licensing process and continuing professional development fees. Total PD&C revenue increased this year to \$22.6 million (2020 – \$20.0 million).

Licensing Process revenue from lawyer candidates (\$12.8 million) and paralegal candidates (\$2.5 million) has increased by \$1.6 million from 2020. The underlying licensing process fees charged to candidates were unchanged, but a few factors drove the increase in revenue. In 2020, an increased number of candidates deferred their examinations to 2021. Revenue from licensing examinations is only recognized when candidates attempt the examination, thus the higher revenue in 2021. Another factor was 2021 saw a return to a more normal number of articling positions available in comparison to 2020. The number of positions in 2020 was impacted by the pandemic in particular at the outset when stricter social gathering and physical distancing restrictions were in place affecting the ability for articling principals to take on articling candidates.

Total Continuing Professional Development ("CPD") revenue increased to \$7.3 million (2020 – \$6.2 million). CPD revenues in 2020 were more notably impacted by the pandemic due to the sudden cancellation of all in-person programming with lead time required to shift to virtual platforms, and the delivery of several complimentary CPD webinars to support licensees. While COVID-19 related large group gathering restrictions continued into 2021, the Society was able to successfully pivot program delivery and content using virtual platforms to provide on-demand webinars and live webcasts. Growth in attendance increased over last year and exceeded budget expectations although revenues have not returned to pre-pandemic levels as in-person programming continues to be hindered by COVID-19 related restrictions.

### ***Investment Income and Change in Fair Value of Investments***

Investment returns rebounded in 2021 to \$8.3 million (2020 – \$3.9 million) after the significant financial market volatility of 2020. Of this total, \$2.5 million pertains to the General Funds, \$3.6 million is related to the Compensation Fund, with the remaining \$2.2 million specific to the E&O Fund. The favourable results are primarily driven by growth in the market value of the Society's portfolio to the end of the year. With the financial markets once again volatile in early 2022, the Society is feeling the effect on the market value of its portfolio investments.

Convocation approved a new investment policy and appointed a new investment manager in 2021. The new policy added global equities to the allowable investments and established new asset mixes for each of the General, Compensation and E&O Fund portfolios.

### ***Other Revenue***

Other revenue of \$6.7 million (2020 – \$7.5 million) primarily comprises income from *Ontario Reports* royalties, administrative fees, and regulatory compliance ordered cost recoveries. As part of the Report on Recommendations for Strategic Change aimed at reducing burden for licensees, Convocation approved for 2021 the elimination of fees related to the late payment of annual fees or late filing of annual reports. The elimination of the late fees is a notable contributing factor to the decrease in other revenue.

## **Expenses**

Expenses of the Lawyer and Paralegal General Funds focus on operations and were \$97.9 million (2020 – \$97.6 million). The 2021 budget incorporated cost containment measures of \$4.9 million, predominantly related to salaries and benefits, reducing the budget to \$111.3 million. While COVID-19 related impacts continued, the Society realized savings in areas where government and public health restrictions limited operations while also moving forward with managing policy and operational priorities.

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

Total regulatory expenses increased slightly to \$31.1 million (2020 – \$30.7 million) but were less than budget. The variance from budget was driven by lower external counsel fees as the number of matters with external counsel declined, reduced costs related to adjudicator expenses, and the continued impact of work from home protocols that produced savings in travel, office expense and document reproduction costs.

### ***Professional Development and Competence***

Total PD&C expenses have decreased slightly to \$26.4 million (2020 – \$26.8 million) and were also less than budget. Lawyer and paralegal licensing examination costs were comparable to prior year at \$10.6 million. The 2021 budget assumed in-person licensing examinations. With the backdrop of an ongoing pandemic, Convocation decided in February 2021 to maintain online examinations, which resulted in lower than anticipated spending as the 2021 budget did not contemplate this change. Other reasons for lower expenses compared to budget are due to reduced travel costs as audits and reviews were performed remotely for most of the year.

### ***Corporate Services***

Corporate services expenses, primarily comprising the Client Service Centre, Information Technology, Facilities, Finance, Office of General Counsel and Human Resources, along with general corporate costs, were \$28.5 million (2020 – \$27.6 million). Contributing to the increased costs were rising insurance premiums and expanded coverage, investments to support a hybrid environment, cost of advisors to manage Ontario Line developments, and additional information technology cloud service subscriptions.

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

Convocation, policy and outreach expenses, primarily related to Policy, External Relations & Communications, and Governance, including benchers related expenses, increased to \$6.4 million (2020 – \$6.0 million). With COVID-19 restrictions, meetings of Convocation and Committees, and stakeholder engagement events continued to be held virtually in 2021. The increase in expenses is mostly related to filling previous staff vacancies. With pandemic restrictions affecting travel and all in-person activities, costs related to benchers remuneration and expense reimbursement, in-person stakeholder events and those associated with the Treasurer's Office were well under budget.

### ***Services to Licensees and Public***

Services to licensees and the public decreased to \$5.5 million (2020 – \$6.4 million) and were also less than budget. The decrease from both prior year and budget was primarily due to the closure of catering operations in March 2020 in response to the pandemic.

## Changes in Fund Balances

### *General Fund*

The excess of revenues over expenses for the year of \$8.1 million led to an increase in the fund balance of the Lawyer General Fund to \$38.3 million. Convocation's Fund Balance Management Policy establishes minimum and maximum benchmarks of two and three months of operating expenses, to be maintained as the Lawyer General Fund balance; a balance between \$17.3 million and \$26.0 million. As the fund balance of the Lawyer General Fund was projected to exceed three months of budgeted General Fund expenses, the Society's 2022 budget planned for the use of \$6.4 million of the fund balance to mitigate the lawyer annual fee.

Revenues in excess of expenses for the year of \$863,000 led to the fund balance of the Paralegal General Fund increasing to \$2.7 million. The Society's 2022 budget planned for the use of \$1.15 million of this fund balance to mitigate the paralegal annual fee.

### *Restricted Funds*

In 2021, the excess of revenues over expenses for the year in the lawyer pool of the Compensation Fund amounted to \$512,000, increasing the fund balance for lawyers to \$31.1 million. The Society utilizes stochastic modeling to forecast future claims experience against the lawyer pool of the Compensation Fund. This model is also used by the Society's Lawyer Compensation Fund Balance Management Policy to determine fund balance minimum and maximum thresholds, which are set at an amount sufficient to provide for a minimum of one 97.5th percentile aggregate claim scenario (a one-in-forty-year event) and a maximum of four 99th percentile aggregate claim scenarios (four one-in-one-hundred-year events). The fund balance of the lawyer pool of the Compensation Fund was impacted by two offsetting factors. First, the change in the fair market value of investments was a gain of \$2.5 million with such changes unbudgeted due to their unpredictability. This was offset by an increase in the provision for unpaid grants expense exceeding budget by \$2.2 million as a result of increased activity and claim amounts within the Compensation Fund. Contributing to this increase are notable claims related to a single lawyer.

In 2021, the Compensation Fund balance for paralegals increased slightly to \$964,000 after revenues in excess of expenses for the year of \$5,000.

The E&O Fund balance increased slightly to \$57.6 million after revenues in excess of expenses for the year of \$2.2 million. The approved transfer of \$1.2 million from the E&O Fund to the Lawyer General Fund approved in the 2021 budget was not executed due to the favourable operating results in the Lawyer General Fund.

## Statement of Financial Position

### *Portfolio Investments*

Portfolio investments are shown at fair value of \$84.6 million (2020 – \$69.7 million). This increase is the result of a transfer of approximately \$7 million from cash and short-term investments to the long-term investment portfolio and the increase in fair market value of the portfolio investments.

### *Deferred Revenue*

Deferred revenue relates primarily to insurance premiums, licensing process fees and other fees collected prior to December 31 relating to the subsequent fiscal year. Deferred revenue increased to \$7.0 million (2020 – \$5.7 million). This increase is primarily due to increased insurance premiums collected in 2021.

### ***Provision for Unpaid Grants***

The Compensation Fund liability for unpaid grants increased to \$20.8 million (2020 – \$16.9 million). The provision for unpaid grants liability in the Compensation Fund represents the estimate for unpaid claims against the Compensation Fund, supplemented by the costs for processing these claims. The increase in this liability in the current year is due to increased claims activity in both the lawyer and paralegal pools of the Compensation Fund, with notable claims related to one lawyer and one paralegal impacting each pool respectively.

### **Conclusion**

The Society continued to respond to COVID-19 pandemic related challenges while looking forward and implementing strategic changes with a focus on modernization and proportionate regulation. In 2021, the Society implemented initiatives to assist licensees to cope with the pandemic; this included the 2021 Annual Fee COVID-19 Deferral Option. It made changes to reduce burden for lawyers and paralegals with the redesigned annual report and the elimination of administrative late fees — all part of the Report on Recommendations for Strategic Change approved by Convocation.

Despite the continued pandemic uncertainty and impacts, the Society is in a financially sound position. In developing the 2022 budget, the Society projected that planned use of fund balances for 2021 would not occur. As a result, it planned for the use of \$6.4 million and \$1.15 million of the fund balances of the Lawyer and Paralegal General Funds to fund operations in 2022. Even with this utilization of fund balances, the Society is well placed to cope with challenges that may come with further financial market volatility, instability in the global economy, and claims pressure on the Compensation Fund which is the historical pattern after an economic downturn. As the Society looks forward to 2022, its focus is two-fold: stabilization and transformation. With renewed optimism, the aim is to stabilize in a post-pandemic environment and begin efforts to evolve the Society's operations and regulatory processes through investments in systems, infrastructure and people.



## Independent auditor's report

To the Members of the Law Society of Ontario

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Law Society of Ontario (the Law Society) as at December 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### What we have audited

The Law Society's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of revenues and expenses and change in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Law Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Law Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Law Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Law Society's financial reporting process.

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Law Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Law Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Law Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
April 28, 2022

**LAW SOCIETY OF ONTARIO**  
**Statement of Financial Position**

*Stated in thousands of dollars*

*As at December 31*

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash (note 10)	37,317	31,625
Short-term investments	15,794	17,740
Accounts receivable (notes 4 and 9)	14,388	13,258
Prepaid expenses	2,498	2,507
<b>Total current assets</b>	<b>69,997</b>	<b>65,130</b>
Investment in subsidiaries (note 4)	35,642	35,642
Portfolio investments (note 6)	84,552	69,711
Loan receivable (note 7)	1,701	1,427
Capital assets (note 8)	6,655	7,727
Intangible assets (note 8)	2,667	2,821
<b>Total Assets</b>	<b>201,214</b>	<b>182,458</b>
<b>Liabilities and Fund Balances</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (notes 5 and 9)	10,330	9,126
Deferred revenue	7,039	5,744
Due to LAWPRO (note 4)	6,827	7,764
<b>Total current liabilities</b>	<b>24,196</b>	<b>22,634</b>
Provision for unpaid grants	20,769	16,853
Unclaimed trust funds (note 10)	7,109	6,075
Lease obligations	798	756
<b>Total Liabilities</b>	<b>52,872</b>	<b>46,318</b>
<i>Other trust funds (note 11), Commitments (note 16), and Contingent liabilities (note 17)</i>		
<b>Fund Balances</b>		
<b>General funds</b>		
Lawyers	38,333	30,301
Paralegals	2,685	1,832
<b>Restricted funds (note 18)</b>		
Compensation - lawyers	31,055	30,543
Compensation - paralegals	964	959
Errors and omissions insurance	57,577	55,386
Capital allocation	7,123	5,458
Invested in capital and intangible assets	9,322	10,548
County libraries	117	85
Other	1,166	1,028
<b>Total Fund Balances</b>	<b>148,342</b>	<b>136,140</b>
<b>Total Liabilities and Fund Balances</b>	<b>201,214</b>	<b>182,458</b>

*The accompanying notes are an integral part of these financial statements*

**On behalf of Convocation**



**Treasurer**



**Chair, Audit & Finance Committee**

## LAW SOCIETY OF ONTARIO

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

Stated in thousands of dollars

For the year ended December 31

	2021	2020	2021	2020	2021	2020	2021	2020
	General Fund Lawyer		General Fund Paralegal		Restricted Funds (note 18)		Total	
<b>Revenues</b>								
Annual fees	69,755	67,836	5,694	5,525	15,225	21,953	90,674	95,314
Insurance premiums and levies	-	-	-	-	113,716	101,820	113,716	101,820
Professional development and competence	19,301	17,075	3,329	2,886	-	-	22,630	19,961
Investment income	639	653	72	83	1,383	1,452	2,094	2,188
Change in fair value of investments	1,628	493	205	62	4,401	1,108	6,234	1,663
Other (note 12)	5,596	6,040	655	1,064	462	397	6,713	7,501
<b>Total revenues</b>	<b>96,919</b>	<b>92,097</b>	<b>9,955</b>	<b>9,620</b>	<b>135,187</b>	<b>126,730</b>	<b>242,061</b>	<b>228,447</b>
<b>Expenses</b>								
Professional regulation, tribunals and compliance	29,386	28,179	1,717	2,547	-	-	31,103	30,726
Professional development and competence	23,263	24,094	3,103	2,745	-	-	26,366	26,839
Corporate services	25,291	24,387	3,199	3,190	-	-	28,490	27,577
Convocation, policy and outreach (note 13)	5,832	5,457	607	544	-	-	6,439	6,001
Services to licensees and public	5,036	5,851	466	586	-	-	5,502	6,437
Restricted (note 18)	-	-	-	-	131,959	115,838	131,959	115,838
<b>Total expenses</b>	<b>88,808</b>	<b>87,968</b>	<b>9,092</b>	<b>9,612</b>	<b>131,959</b>	<b>115,838</b>	<b>229,859</b>	<b>213,418</b>
<b>Excess of revenues over expenses</b>	<b>8,111</b>	<b>4,129</b>	<b>863</b>	<b>8</b>	<b>3,228</b>	<b>10,892</b>	<b>12,202</b>	<b>15,029</b>
<b>Fund balances, beginning of year</b>	<b>30,301</b>	<b>26,106</b>	<b>1,832</b>	<b>1,834</b>	<b>104,007</b>	<b>93,171</b>	<b>136,140</b>	<b>121,111</b>
<b>Interfund transfers (notes 2 and 14)</b>	<b>(79)</b>	<b>66</b>	<b>(10)</b>	<b>(10)</b>	<b>89</b>	<b>(56)</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>38,333</b>	<b>30,301</b>	<b>2,685</b>	<b>1,832</b>	<b>107,324</b>	<b>104,007</b>	<b>148,342</b>	<b>136,140</b>

The accompanying notes are an integral part of these financial statements

## LAW SOCIETY OF ONTARIO

### Statement of Cash Flows

Stated in thousands of dollars

For the year ended December 31

	2021	2020
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Excess of revenues over expenses	12,202	15,029
Items not affecting cash:		
Amortization of capital assets	1,813	1,936
Amortization of intangible assets	1,252	797
Loss on disposal of capital and intangible assets	-	16
Lease obligations	42	108
	<b>15,309</b>	<b>17,886</b>
Net change in non-cash operating items:		
Accounts receivable	(1,130)	(1,291)
Prepaid expenses	9	627
Accounts payable and accrued liabilities	1,205	(4,780)
Provision for unpaid grants	3,916	(586)
Due (to)/from LAWPRO	(937)	410
Deferred revenue	1,295	(10,287)
Fund contribution - unclaimed trusts	1,034	488
<b>Cash from operating activities</b>	<b>20,701</b>	<b>2,467</b>
<b>Investing</b>		
Portfolio investments - net	(14,842)	(5,890)
Loan receivable	(274)	(265)
Short-term investments - net	1,946	1,969
Capital asset and intangible asset additions	(1,839)	(1,519)
<b>Cash used in investing activities</b>	<b>(15,009)</b>	<b>(5,705)</b>
<b>Net inflow (outflow) of cash, during the year</b>	<b>5,692</b>	<b>(3,238)</b>
Cash, beginning of year	31,625	34,863
<b>Cash, end of year</b>	<b>37,317</b>	<b>31,625</b>

The accompanying notes are an integral part of these financial statements

# LAW SOCIETY OF ONTARIO

## Notes to Financial Statements, December 31, 2021

*Stated in whole dollars except where indicated*

### 1. Background

The Law Society of Ontario (“Society”) was founded in 1797 and incorporated in 1822 with the enactment of the *Law Society Act*.

The *Law Society Act*, section 4.1, states that it is a function of the Society to ensure that:

- all persons who practise law in Ontario or provide legal services in Ontario meet standards of learning, professional competence and professional conduct that are appropriate for the legal services they provide; and
- the standards of learning, professional competence and professional conduct for the provision of a particular legal service in a particular area of law apply equally to persons who practise law in Ontario and persons who provide legal services in Ontario.

In carrying out its functions, duties and powers, the Society, pursuant to section 4.2 of the *Law Society Act*, shall have regard to the following principles:

- the Society has a duty to maintain and advance the cause of justice and the rule of law;
- the Society has a duty to act so as to facilitate access to justice for the people of Ontario;
- the Society has a duty to protect the public interest;
- the Society has a duty to act in a timely, open and efficient manner;
- standards of learning, professional competence and professional conduct for licensees and restrictions on who may provide particular legal services should be proportionate to the significance of the regulatory objectives sought to be realized.

The governing body of the Society, which is known as Convocation, carries out this mandate. Convocation comprises benchers and the Treasurer who presides over Convocation.

The primary sources of revenues are licensee annual fees and insurance premiums and levies, set by Convocation, based on the financial requirements of the Society. As at December 31, 2021, lawyers entitled to practice law and paralegals entitled to provide legal services in Ontario numbered approximately 57,700 and 10,600, respectively.

The Society is not subject to federal or provincial income taxes.

### 2. Nature of Financial Statements

These financial statements present the financial position and operations of the Society and include the General Funds and a number of special purpose funds restricted by the *Law Society Act* or Convocation.

## Subsidiaries and Related Entity

The Society has two wholly-owned subsidiaries: Lawyers' Professional Indemnity Company ("LAWPRO"), and LiRN Inc. ("LiRN") and a related entity, The Law Society Foundation. The audited annual financial statements for these three entities are available separately.

## General Funds

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

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

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

- mitigate the Lawyer General Fund levy for the next fiscal year;
- transfer the excess to another 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 Lawyer 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 Lawyer General Fund expenses and less than three months of budgeted Lawyer General Fund expenses, Convocation may appropriate funds from the Lawyer General Fund balance for one or more of the following:

- mitigate the Lawyer General Fund levy for the next fiscal year;
- transfer the excess to another Society fund if the fund balance is below its stated policy benchmark.

As at December 31, 2021, the Lawyer General Fund balance was \$38,333,000 (2020 – \$30,301,000). The Lawyer General Fund balance as of December 31, 2021 exceeds three months of budgeted Lawyer General Fund expenses. The 2022 budget plans for the use of \$6,384,000 of the Lawyer General Fund balance in order to mitigate the Lawyer General Fund levy in 2022.

As at December 31, 2021, the Paralegal General Fund balance was \$2,685,000 (2020 – \$1,832,000).

## Restricted Funds

### *Compensation Fund*

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

Pursuant to the *Law Society Act*, the Compensation Fund is supported by licensee annual fees, investment income and recoveries. The Compensation Fund expenses are only for payment of grants, and direct program delivery and administration costs. There are separate fund balances for lawyer licensees and paralegal licensees.

The 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.

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 pool of the Compensation Fund levy for the next fiscal year;
- annual mitigation of the lawyer pool of the Compensation Fund levy 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 pool of the 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.

As at December 31, 2021, the lawyer pool of the Compensation Fund balance was \$31,055,000 (2020 – \$30,543,000) and is within the minimum and maximum policy benchmarks of \$19,570,000 and \$96,296,000, respectively.

The statement of financial position for the Compensation Fund is set out below:

(\$000s)	2021	2020
Cash and short-term investments	<b>12,978</b>	18,433
Portfolio investments	<b>39,932</b>	30,541
<b>Total assets</b>	<b>52,910</b>	48,974
Accounts payable and accrued liabilities	<b>122</b>	620
Provision for unpaid grants - lawyers	<b>20,398</b>	16,628
Provision for unpaid grants - paralegals	<b>371</b>	224
<b>Total liabilities</b>	<b>20,891</b>	17,472
Fund balance - lawyers	<b>31,055</b>	30,543
Fund balance - paralegals	<b>964</b>	959
<b>Total liabilities and fund balances</b>	<b>52,910</b>	48,974

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

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

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

As at December 31, 2021, the E&O Fund balance was \$57,577,000 (2020 – \$55,386,000). The fund balance is comprised of:

(\$000s)	<b>2021</b>	2020
Investment in LAWPRO	<b>35,642</b>	35,642
Unrestricted	<b>21,935</b>	19,744
<b>Total fund balance</b>	<b>57,577</b>	55,386

Convocation, with the adoption of the Society’s annual budget, has periodically approved the transfer of accumulated investment income surplus to the needs of the E&O Fund to the Lawyer General Fund. There were no transfers of accumulated investment income from the E&O Fund to the Lawyer General Fund in 2020 or 2021.

#### ***Capital Allocation Fund***

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Society’s capital and intangible assets, which comprise buildings and major equipment including computers and software. Amounts of assets capitalized, according to the Society’s capital asset policy, are transferred to the Invested in Capital and Intangible Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund. As at December 31, 2021, the fund balance was \$7,123,000 (2020 – \$5,458,000).

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

The Invested in Capital and Intangible Assets Fund records transactions related to the Society’s capital assets and intangible assets, specifically acquisitions, amortization and disposals. As at December 31, 2021, the balance was \$9,322,000 (2020 – \$10,548,000), representing the net book value of the Society’s capital and intangible assets.

#### ***County Libraries Fund***

The County Libraries Fund records transactions related to the Society’s support of county law libraries. As approved by Convocation, the Fund accumulates revenues generated from lawyer annual fees specific for county library purposes, which are used to fund grants to LiRN. The fund balance as at December 31, 2021 was \$117,000 (2020 – \$85,000).

#### ***Other Restricted Funds***

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process. As at December 31, 2021, the fund balance was \$75,000 (2020 – \$84,000).

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects. The fund balance as at December 31, 2021 was \$778,000 (2020 – \$778,000).

The Parental Leave Assistance Fund accounts for the delivery of the Parental Leave Assistance Program (“PLAP”) and is funded by lawyers’ annual fees. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who have a net annual practice income of less than \$50,000 and who do not have access to any other parental leave financial benefits. Under PLAP, the Society provides a fixed sum of \$750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave. As at December 31, 2021, the fund balance was \$313,000 (2020 – \$166,000).

### 3. Significant Accounting Policies

#### *Basis of presentation*

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

#### *Financial instruments*

The Society’s financial assets and financial liabilities are measured at fair value on the original date of the transaction and then subsequently measured as follows:

<b>Asset / Liability</b>	<b>Measurement</b>
Cash	Fair value
Short-term investments	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Loan receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Unclaimed trust funds	Amortized cost

Investments in subsidiaries are reported at cost.

The fair value of portfolio investments is determined by reference to transactional net asset values for the fixed income and Canadian and global equity pooled funds. Transaction costs are expensed as incurred. The carrying values of accounts receivable, loan receivable, accounts payable and accrued liabilities and unclaimed trust funds approximate fair value due to their nature or capacity for prompt liquidation.

#### *Interest rate risk*

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Society’s investment policy. The normal duration range for the bond portfolio administered under the policy is between 1 and 5 years. The Society has no material interest-bearing liabilities.

Fluctuations in interest rates do not have a significant effect on cash and short-term investments of the Society.

#### *Market risk*

The risk that the fair value of financial instruments will fluctuate due to changes in market prices is managed through compliance with the Society’s investment policy, which requires a diversified portfolio of government bonds, corporate bonds and Canadian and global equities meeting specified quality requirements.

### ***Currency risk***

The Society is exposed to currency risk with respect to its portfolio investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

At year end, the maximum exposure of the Society to foreign currency risk in portfolio investments was \$21,025,000 (2020 – \$nil). During the 2021 year, Convocation approved the expansion of the Society's investment policy to include global equities as allowable investments. Currency risk is mitigated through investment into geographically diversified investments in pooled funds.

### ***Credit risk***

Credit risk is the possibility that other parties may default on their financial obligations. At year-end, the maximum exposure of the Society to credit risk in cash, loan receivable, short and long-term fixed income investments was \$107,576,000 (2020 – \$96,100,000). In compliance with the Society's investment policy, fixed income investments are in the financial obligations of governments, major financial institutions and commercial paper with investment grade ratings.

At year-end, the maximum exposure of the Society to credit risk in accounts receivable was \$14,388,000 (2020 – \$13,258,000). This credit risk is minimized by the credit quality and a diverse debtor base. The Society maintains an allowance for potential credit losses.

### ***Liquidity risk***

Liquidity risk is the risk that the Society will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The Society monitors forecasts of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the Society and all underlying long-term securities are publicly listed.

The Society has not entered into any derivative transactions. In addition, the Society's contractual arrangements do not have any embedded features.

### ***Cash and short-term investments***

Cash (bank balances) and short-term investments (less than one year) are amounts on deposit and invested in short-term investment vehicles according to the Society's investment policy.

### ***Portfolio investments***

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

### **Capital assets**

Capital assets are presented at cost net of accumulated amortization. Amortization is charged to expenses on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Building and leasehold improvements	Lesser of 10 years or term of lease
Furniture, equipment and computer hardware	3 to 5 years

### **Intangible assets**

Intangible assets comprising computer applications and software are presented at cost net of accumulated amortization. Amortization is charged to expenses on a straight-line basis over three years.

### **Revenue recognition**

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

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

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

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

Fees, insurance premiums and other revenues receivable are recorded as accounts receivable on the statement of financial position, net of any provision for doubtful amounts.

### **Provision for unpaid grants**

Pursuant to section 51(5) of the *Law Society Act*, the payment of grants from the Compensation Fund is at the discretion of Convocation. Grants paid from the lawyer pool of the Compensation Fund are subject to a limit per claimant of \$150,000 for claims incurred before September 22, 2016 and \$500,000 thereafter. Grants paid from the paralegal pool of the Compensation Fund are subject to a \$10,000 limit per claimant. The Compensation Fund expense represents a provision for unpaid grants and administrative expenses.

Provisions for unpaid grants are recorded as liabilities on the statement of financial position. The measurement of the ultimate settlement costs of claims made to date that underlies the provision for unpaid grants involves estimates and measurement uncertainty. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information. These provisions represent an estimate of the present value of grants to be paid for claims and the associated administrative costs net of recoveries. Grant liabilities are carried on a discounted basis using the yield of the underlying assets backing the grant liabilities with a provision for adverse deviation. The discount rate is 1.31% (2020 – 0.61%).

### ***Collections***

The Society owns a collection of legal research and reference material as well as a collection of portraits and sculptures. The cost of additions to the collections is expensed as incurred. No value is recorded in these financial statements for donated items. There have not been any significant changes to the collections in the current year.

### ***Volunteer services***

Convocation, consisting of the Treasurer and benchers, governs the Society. Benchers may be elected by lawyers, paralegals, appointed by the provincial government, or achieve ex-officio or emeritus status based on past service.

Elected and ex-officio benchers are remunerated for adjudication and authorization activities. They are only remunerated for eligible governance work after contributing 26 days of voluntary time. The work of the Society is also dependent on other voluntary services by lawyers and paralegals. No value has been included in these financial statements for volunteer services.

### ***Measurement uncertainty***

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The valuation of certain liabilities and unpaid grants anticipates the combined outcomes of events that are yet to occur. There is uncertainty inherent in any such estimation and therefore a limitation upon the accuracy of these valuations. Future loss emergence may deviate from these estimates.

## **4. Investment in Subsidiaries**

Investment in the Society's subsidiaries is recorded at cost:

	<b>2021</b>	2020
LAWPRO	<b>35,642,000</b>	35,642,000
LiRN	<b>100</b>	100
Total investment in subsidiaries	<b>35,642,100</b>	35,642,100

### ***LAWPRO***

The Society provides mandatory professional liability insurance to lawyers through LAWPRO, a provincially licensed insurer and wholly-owned subsidiary of the Society.

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

Paralegals obtain this form of coverage through independent insurance companies. In addition to providing mandatory professional liability insurance to lawyers, LAWPRO also sells optional excess professional liability and title insurance.

The investment in LAWPRO comprises:

(\$000s)	2021	2020
30,000 common shares of par value of \$100 each	3,000	3,000
20,000 6% non-cumulative, redeemable, non-voting preferred shares of par value of \$100 each	2,000	2,000
Investment in LAWPRO shares	5,000	5,000
Contributed capital	30,642	30,642
<b>Total investment</b>	<b>35,642</b>	<b>35,642</b>

Summarized below is the financial information of LAWPRO. LAWPRO prepares their financial statements under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. There are significant differences between IFRS and accounting standards for not-for-profit organizations set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, including the accounting for leases and for unrealized gains and losses and other items that are reflected through the statement of comprehensive income of LAWPRO.

Summarized statement of financial position of LAWPRO:

(\$000s)	2021	2020
Total assets	819,329	802,396
Total liabilities	533,548	532,826
Total shareholders equity	285,781	269,570
<b>Total liabilities and shareholders equity</b>	<b>819,329</b>	<b>802,396</b>

Summarized statement of profit (loss) of LAWPRO for the year ended December 31:

(\$000s)	2021	2020
Revenue	132,165	154,459
Expenses	129,651	126,469
Income before taxes	2,514	27,990
Income tax expense	333	6,980
Net income	2,181	21,010
Other comprehensive income (loss) net of tax	14,030	(22,741)
<b>Comprehensive income (loss)</b>	<b>16,211</b>	<b>(1,731)</b>

Summarized statement of cash flows of LAWPRO for the year ended December 31:

(\$000s)	2021	2020
Net cash inflow from operating activities	13,500	14,558
Net cash inflow (outflow) from investing activities	3,629	(24,538)
Net cash outflow from financing activities	(404)	(389)
Cash and cash equivalents, beginning of year	7,748	18,117
<b>Cash and cash equivalents, end of year</b>	<b>24,473</b>	<b>7,748</b>

LAWPRO administers the operations of the E&O Fund on behalf of the Society at no charge under an administrative services agreement. LAWPRO billed the Society \$113,716,000 (2020 – \$101,820,000) for premiums during the year. LAWPRO contributed \$560,000 to the Society towards directors’ fees for benchers appointed to the LAWPRO Board and a wellness program available to licensees (2020 – \$561,000). These transactions are entered in the ordinary course of business and are measured at fair value. Included in the Society’s financial statements are amounts due to LAWPRO of \$6,827,000 (2020 – \$7,764,000). The amounts due to LAWPRO are non-interest bearing and have no fixed terms of repayment.

### **LiRN**

LiRN, a wholly-owned, not-for-profit subsidiary of the Society, was established to develop policies, procedures, guidelines, and standards for the delivery of county law library services and legal information across Ontario and to administer funding on behalf of the Society. LiRN was incorporated under the *Business Corporations Act (Ontario)* in 2001 and at the beginning of 2020, Articles of Amendment were filed to rename LibraryCo. Inc. as LiRN Inc.

The Society holds all of the 100 common shares. Of the 100 special shares, 25 are held by the Toronto Lawyers Association (“TLA”) and 75 are held by the Federation of Ontario Law Associations (“FOLA”). The independent skills-based board of directors of LiRN is appointed based on the recommendations of a Nominating Committee comprised of three members from the Society, two members from FOLA and one member from TLA.

The Society levies and collects funds for county and district law library purposes and transfers these funds to LiRN. Convocation internally restricts these funds for use by county and district law libraries to carry out their annual operations and any special projects approved by Convocation.

Summarized statement of financial position of LiRN:

(\$000s)	2021	2020
Total assets	<b>788</b>	1,091
Total liabilities	<b>92</b>	57
Total share capital and fund balances	<b>696</b>	1,034
Total liabilities, share capital and fund balances	<b>788</b>	1,091

Summarized statement of income of LiRN for the year ended December 31:

(\$000s)	2021	2020
Total revenue	<b>7,221</b>	8,027
Total expenses	<b>7,559</b>	8,001
Excess of revenues over expenses / (Excess of expenses over revenue)	<b>(338)</b>	26

Summarized statement of cash flows of LiRN for the year ended December 31:

(\$000s)	2021	2020
Net cash (outflow) inflow from operating activities	<b>(306)</b>	25
Cash, beginning of year	<b>1,034</b>	1,009
Cash, end of year	<b>728</b>	1,034

The Society provided LiRN with a grant of \$7,217,000 (2020 – \$8,019,000) during the year. The Society provides some administrative services to LiRN as well as certain other services and publications. The total amount billed by the Society for 2021 was \$52,000 (2020 – \$11,000). These transactions are entered in the ordinary course of business and are measured at fair value. Included in accounts receivables are amounts due from LiRN of \$8,000 (2020 – \$1,000).

## 5. Related Entity

The Law Society Foundation (“LSF”) is regarded as a related entity, although the Society does not have an equity interest in the LSF.

The LSF, a registered charity, was incorporated by Letters Patent in 1962. The objectives of the LSF are to foster, encourage and promote legal education in Ontario, provide financial assistance to licensing process candidates in Ontario, restore and preserve land and buildings of historical significance to Canada’s legal heritage, receive gifts of muniments and legal memorabilia of interest and significance to Canada’s legal heritage, maintain a collection of gifts of books and other written material for use by educational institutions in Canada and receive donations and maintain funds for the relief of poverty by providing meals to persons in need.

The Society provides facilities and certain administration services at no cost to the LSF. Trustees of the LSF are elected by the members of the LSF. Included in the Society’s accounts are amounts due to the LSF of \$nil (2020 – due to LSF of \$1,000).

## 6. Portfolio Investments

(\$000s)	2021	2020
Debt securities	52,764	45,308
Canadian equities	10,763	24,403
Global equities	21,025	-
<b>Total portfolio investments</b>	<b>84,552</b>	<b>69,711</b>

The debt securities have effective interest rates and maturity dates as follows:

	2021	2020
Effective interest rates (%)	0.2 - 4.3	0.2 - 2.6
Maturity dates (years)	1 - 7	1 - 8

## 7. Loan Receivable

Canadian Legal Information Institute (“CanLII”) is a not-for-profit organization established by the Federation of Law Societies to provide access to judicial decisions and legislative documents on the internet. Lexum Informatique Juridique Inc. (“Lexum”) is a software company that operates online legal information delivery products, primarily for CanLII. CanLII purchased all the shares of Lexum in 2018. The Society contributed \$878,000 to a subordinated syndicated loan with all the other Canadian law societies as part of the funding of this purchase in 2018. This loan has an annual interest rate of 4.74%, compounded semi-annually and will mature on February 23, 2023.

In 2021, the Society made an annual repayable capital payment of \$265,000 (2020 – \$274,000) as the final balance of sale payment to the vendors of Lexum.

## 8. Capital Assets and Intangible Assets

Capital Assets (\$000s)	2021			2020
	Cost	Accumulated amortization	Net	Net
Land and buildings	25,395	25,395	-	468
Building and leasehold improvements	29,940	23,710	6,230	6,668
Furniture, equipment and computer hardware	2,763	2,338	425	591
<b>Total capital assets</b>	<b>58,098</b>	<b>51,443</b>	<b>6,655</b>	<b>7,727</b>

  

Intangible Assets (\$000s)	2021			2020
	Cost	Accumulated amortization	Net	Net
Computer applications and software	10,514	7,847	2,667	2,821
<b>Total intangible assets</b>	<b>10,514</b>	<b>7,847</b>	<b>2,667</b>	<b>2,821</b>

## 9. Accounts Payable and Accrued Liabilities and Accounts Receivable

Included in accounts receivable, accounts payable and accrued liabilities is \$500,228 due from government remittances, primarily sales taxes (2020 – \$404,978).

The accounts receivable balance comprises:

(\$000s)	2021	2020
Accounts receivable	41,602	36,416
Allowance for doubtful accounts	27,214	23,158
<b>Accounts receivable – net</b>	<b>14,388</b>	<b>13,258</b>

The allowance for doubtful accounts mainly relates to annual fees, regulatory compliance ordered costs and licensing process fees.

## 10. Unclaimed Trust Funds

Section 59.6 of the *Law Society Act* permits a licensee who has held money in trust for, or on account of, a person for a period of at least two years, to apply in accordance with the by-laws for permission to pay the money to the Society. Money paid to the Society is held in trust in perpetuity for the purpose of satisfying the claims of the persons who are entitled to the capital amount. Subject to certain provisions in the *Law Society Act* enabling the Society to recover its expenses associated with maintaining these funds, net income from the money held in trust shall be paid to the Law Foundation of Ontario. Unclaimed money held in trust amounts to \$7,109,000 (2020 – \$6,075,000).

## 11. Other Trust Funds

The Society administers client funds for licensees under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the statement of financial position. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. As at December 31, 2021, total funds held in trust amount to \$3,525,000 (2020 – \$3,815,000).

## 12. Other Revenues

Other Revenues primarily comprise income from *Ontario Reports* royalties, administrative fees, and regulatory compliance ordered cost recoveries.

## 13. Other Expenses

Included in Convocation, policy and outreach expenses are payments for the remuneration of elected, ex-officio and lay benchers during the year of \$601,000 (2020 – \$309,000). The total expense reimbursements of the elected, ex-officio and lay benchers during the year was \$4,000 (2020 – \$61,000). The Treasurer's honorarium expense for the year was \$210,000 (2020 – \$206,000).

## 14. Interfund Transfers

During the year, the following net interfund transfers took place, which have been approved by Convocation:

- \$1,839,000 from the Capital Allocation Fund to the Invested in Capital and Intangible Assets Fund representing assets capitalized during the year in compliance with the Society's accounting policies;
- \$70,000 from the lawyer General Fund to the Repayable Allowance Fund, as provided in the 2021 budget to fund the Repayable Allowance Program in the Licensing Process;
- \$28,000 from the General Funds to the Special Projects Fund to fund the next bencher election;
- \$19,000 from the Special Projects Fund to the Capital Allocation Fund to fund further enhancements to the Human Resources Information System; and
- \$9,000 from the Special Projects Fund to the General Fund to fund updates to the facilities condition assessment and maintenance of the Society's grounds.

## 15. Pension Plan

The Society maintains a defined contribution plan for all eligible employees of the Society. Each member of the plan, other than designated employees, elects to contribute matching employee and employer contributions from 1% to 6% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. Designated employees, who hold executive positions, have contributions made to the plan by the Society equivalent to 12% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. The Society's pension expense in 2021 amounted to \$2,952,752 (2020 – \$3,017,000).

## 16. Commitments

The Society is committed to monthly lease payments for basic and additional rent for property under leases having various terms up to February 2028. Aggregate minimum annual payments to the expiry of the leases are approximately as follows:

2022	\$2,464,000
2023	\$2,580,000
2024	\$2,697,000
2025	\$2,813,000
2026	\$2,906,000
Thereafter	\$3,390,000
Total	<u>\$16,850,000</u>

In 2021, the Society received a request from the Law Commission of Ontario (“LCO”) for continued funding in support of its mandate. The LCO’s request is for annual contributions from the Society over a four-year period beginning in 2022. Convocation approved the Society’s contribution of \$157,000 for 2022 through its budget process.

## 17. Contingent Liabilities

A number of claims or potential claims are pending against the Society. It is not possible for the Society to predict with any certainty the outcomes of such claims or potential claims. Management is of the opinion, based on the information presently available, that it is unlikely any liability, to the extent not covered by insurance or inclusion in the financial statements, would be material to the Society’s financial position.

## 18. Schedule of Restricted Funds

A schedule of Restricted Funds is set out below.

*Stated in thousands of dollars*

*As at December 31*

	2021							2020	
	Compensation Fund Lawyer	Paralegal	Errors and omissions insurance	Capital allocation	Invested in capital and intangible assets	County libraries	Other restricted	Total	Total
<b>Fund balances, beginning of year</b>	30,543	959	55,386	5,458	10,548	85	1,028	104,007	93,171
<b>Revenues</b>									
Annual fees	3,923	6	-	3,797	-	7,249	250	15,225	21,953
Insurance premiums and levies	-	-	113,716	-	-	-	-	113,716	101,820
Investment income	892	47	444	-	-	-	-	1,383	1,452
Change in fair value of investments	2,521	133	1,747	-	-	-	-	4,401	1,108
Other	440	22	-	-	-	-	-	462	397
<b>Total revenues</b>	<b>7,776</b>	<b>208</b>	<b>115,907</b>	<b>3,797</b>	<b>-</b>	<b>7,249</b>	<b>250</b>	<b>135,187</b>	<b>126,730</b>
<b>Total expenses</b>	<b>7,264</b>	<b>203</b>	<b>113,716</b>	<b>312</b>	<b>3,065</b>	<b>7,217</b>	<b>182</b>	<b>131,959</b>	<b>115,838</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>512</b>	<b>5</b>	<b>2,191</b>	<b>3,485</b>	<b>(3,065)</b>	<b>32</b>	<b>68</b>	<b>3,228</b>	<b>10,892</b>
<b>Interfund transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,820)</b>	<b>1,839</b>	<b>-</b>	<b>70</b>	<b>89</b>	<b>(56)</b>
<b>Fund balances, end of year</b>	<b>31,055</b>	<b>964</b>	<b>57,577</b>	<b>7,123</b>	<b>9,322</b>	<b>117</b>	<b>1,166</b>	<b>107,324</b>	<b>104,007</b>



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