



TAB 8

**Report to Convocation
June 23, 2016**

Audit & Finance Committee

Committee Members

Christopher Bredt (Co-Chair)

Peter Wardle (Co-Chair)

Michelle Haigh (Vice-Chair)

John Callaghan

Suzanne Clément

Paul Cooper

Teresa Donnelly

Seymour Epstein

Rocco Galati

Vern Krishna

Janet Leiper

Catherine Strosberg

Purpose of Report: Information

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COMMITTEE PROCESS

1. The Audit & Finance Committee (“the Committee”) met on June 8, 2016. Committee members in attendance were Chris Bredt (Co-Chair), Peter Wardle, (Co-Chair), Suzanne Clément, Paul Cooper, Teresa Donnelly, Seymour Epstein, Vern Krishna, and Catherine Strosberg.
2. Also in attendance: Stephanie Kalinowski from Hicks Morley.
3. Law Society staff in attendance: Robert Lapper, Wendy Tysall, Terry Knott, Juda Strawczynski, Wes Robertson, Brenda Albuquerque-Boutilier, Mary Giovinazzo and Andrew Cawse.

FOR INFORMATION

FINANCIAL SUPPORT OF THE LAW COMMISSION OF ONTARIO (LCO)

4. **The Committee considered the financial implications of the Law Commission of Ontario's request for renewal of the Law Society's support of the Law Commission pending a recommendation from the Access to Justice Committee. If Convocation approves the continued support of the LCO, the funding will be included in the draft 2017 budget. The request would increase the Law Society's funding by 5% to \$144,900 in 2017 and by 2% per year for 2018-2022.**

BACKGROUND

5. The Law Society's process for this renewal will take three steps:
 - i. Convocation's approval of the principle of supporting the LCO.
 - ii. The renewal of the Agreement between the parties providing resources to the LCO.
 - iii. Inclusion of financial support for the LCO in the 2017 and future budgets. The balance of this memo addresses this step.
6. The Law Commission of Ontario (LCO) was established by 5 partners, including the Government of Ontario through the Ministry of the Attorney General, Osgoode Hall Law School at York University, the Law Deans of Ontario, the Law Foundation of Ontario and the Law Society of Upper Canada. The agreement for the LCO's first mandate was signed in 2007 and the LCO was formally launched later that year.
7. The LCO has a mandate to recommend law reform measures to increase the legal system's relevance, effectiveness and accessibility; to clarify and simplify the law; to consider technology as a means to enhance access to justice; and to stimulate critical debate about law and promote scholarly legal research. While the LCO's projects may involve all areas of provincial law that affect a wide variety of constituents, its mandate emphasizes selecting areas for study that are underserved by other research.
8. The multi-party agreement for the LCO's first mandate expired in December 2011. In June 2010, Convocation reaffirmed the Law Society's support in principle for the mandate of the LCO for a further five years.
9. Benchers Larry Banack and Christopher Bredt have served on the Board of Governors of the LCO and Raj Anand is the current Law Society's appointee.
10. The Agreement between the Parties for the LCO's second mandate expires on December 31, 2016.

11. The Access to Justice Committee is considering the policy implications of the renewal application.
12. The funding request was approved by the LCO Board on June 9, 2016.

FINANCIAL CONSIDERATIONS

13. The Law Society provided \$100,000 per year to the LCO during the five years of the first mandate.
14. In September 2011, Convocation increased annual financial support to \$138,000. The annual core funding from all partners during the five years of the second mandate is summarized below.

Law Foundation of Ontario	\$550,000
Ministry of the Attorney General	\$250,000
Law Society of Upper Canada	\$138,000
Osgoode Hall Law School	\$100,000
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TOTAL	\$1,038,000

15. The finance units of the Parties have been meeting regularly to ensure the LCO's funding needs are met and there is appropriate budgeting and reporting for the LCO to be accountable to the funders. The LCO has also provided regular written reports on how they are fulfilling their mandate and most recently addressed Convocation in December 2015.
16. The LCO is requesting an incremental increase in Law Society funding of 5% in 2017 from \$138,000 to \$144,900 and a 2% per year increase in the remaining four years of the proposed 5 year agreement.
17. The LCO has stated that the funding request is one part of a comprehensive long term funding strategy that will include:
 - A dedicated effort to seek out new funders, particularly for LCO projects;
 - A thorough analysis of the LCO's existing costs; and,
 - A dedicated effort to expand in-kind and volunteer contributions to LCO projects and operations.
18. A significant part of the business case for the third mandate is the degree of support from the other Parties for the renewal. The LCO is requesting equivalent increases from its other funders.

FOR INFORMATION

**LIBRARYCO INC. FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
MARCH 31, 2016**

19. **Convocation is requested to receive the first quarter financial statements for LibraryCo for information.**

Rationale

20. LibraryCo Inc. 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 and the Toronto Lawyers' Association. LibraryCo is a wholly-owned subsidiary of the Law Society. There is a quarterly financial reporting schedule to the shareholder.
21. The Law Society provides administrative services to LibraryCo, for a fee, under an administrative services agreement.

Financial Impact

22. As an information item, the interim financial statements have no direct financial impact.

Stakeholder Response/Reaction

23. The statements have been approved by LibraryCo's board.



LIBRARYCO INC.
FINANCIAL REPORT
For the three months ended March 31, 2016

KEY POINT SUMMARY

Overall Results

24. Results for the first quarter identify a surplus of \$20,478 compared to a budgeted deficit of \$37,917 for the 3 months. The 2016 budget envisages a \$143,000 deficit for the year through the use of the General Fund balance.
25. The positive variance from budget of \$58,395 is primarily related to transition expenses still to be incurred but smaller favourable variances are spread across most other expense categories. It is too early in the year to attribute these variances to timing differences or actual savings.

Revenues

26. The Law Society grant (line 1) includes amounts for central administration and quarterly transfers to the 48 libraries. The actual grant from the Law Society was just over \$1.9 million in the quarter and matched budgeted amounts for the period.
27. Interest Income (line 2) is earned on LibraryCo's cash and short term investments.

Expenses

28. Total expenses (line 16) were \$1,896,093 compared to a budgeted total of \$1,953,428 for the quarter.
29. Administration expenses (line 4) of \$76,250 represents the service fee paid to the Law Society and equals budget. The fee was reduced from 2015.
30. Transition expenses (line 6) of \$18,397 represents preliminary payments for the user needs survey.
31. Electronic product expenses of \$84,750 (line 9) are in line with the agreement and budget.
32. Group benefits and insurance (line 10) of \$79,227 consist of the Group Benefits for enrolled library staff and library D&O and property insurance.
33. County and District law libraries grants (line 13) are in line with budget at \$1,619,191 and increased from 2015.
34. Bursaries, capital and special needs grants (line 14) consist of computer refreshment grants, special needs grants and conference bursaries for library staff.

Balance Sheet

35. Short-term investments (line 2) of \$400,002 consists of a one year GIC and accrued interest.
36. Accounts receivable (line 3) are long term disability benefits premiums paid by LibraryCo on the libraries' behalf for the past quarter. These receivables are usually repaid early in the next quarter.
37. Prepaid expenses (line 4) primarily represents the property and D&O insurance policies for LibraryCo and the libraries which are to be renewed at the end of April.
38. Accounts payable and accrued liabilities (line 6) are about \$41,800 lower than 2015. The monthly electronic products expense is now being paid in the current month in which it is billed. In the prior year, the monthly electronic products expense was paid in the month following receipt of the invoice. The reduction in the administrative services fee also results in lower monthly accrued liabilities.
39. The General Fund has increased by \$20,478 in 2016 to \$273,559. The 2016 budget forecast a decrease of \$143,000 during the year should the transition expenses be fully incurred in 2016.
40. The Reserve Fund has a balance at the end of March of \$500,000 comprising a general component of \$200,000, a capital and special needs component of \$150,000, and a staffing and severance component of \$150,000 in accordance with Board policy.

LIBRARYCO INC.
Balance Sheet
Stated in Dollars
As at March 31
Unaudited

	2016	2015
Assets		
Current Assets		
1 Cash	379,707	335,669
2 Short-term investments	400,002	400,324
3 Accounts receivable	17,879	20,155
4 Prepaid expenses	7,726	7,394
5 Total Assets	805,314	763,542
Liabilities, Share Capital and Fund Balances		
Current Liabilities		
6 Accounts payable and accrued liabilities	31,555	80,216
7 Total Liabilities	31,555	80,216
Share Capital and Fund Balances		
8 Share capital	200	200
9 General fund	273,559	183,126
10 Reserve fund	500,000	500,000
11 Total Share Capital and Fund Balances	773,759	683,326
12 Total Liabilities, Share Capital and Fund Balances	805,314	763,542

This Balance Sheet includes the financial resources of the LibraryCo entity only.

LIBRARYCO INC.**Schedule of Actual and Budgeted Revenues and Expenses****Stated in Dollars***For the three months ended March 31***Unaudited**

	2016	YTD		Annual	2015
	Actual	Budget	Variance	Budget	Actual
REVENUES					
1 Law Society of Upper Canada grant	1,915,511	1,915,511	-	7,662,000	1,924,003
2 Interest income	1,060	-	1,060	-	1,658
3 Total revenues	1,916,571	1,915,511	1,060	7,662,000	1,925,661
EXPENSES					
Head office/administration					
4 Administration	76,250	76,250	-	305,000	107,500
5 Professional fees	3,135	7,500	4,365	30,000	3,705
6 Transition expenses	18,397	42,420	24,023	84,836	-
7 Other	4,724	11,198	6,474	49,300	6,393
8 Total Head office/administration expenses	102,506	137,368	34,862	469,136	117,598
Law Libraries - centralized purchases					
9 Electronic products and services	84,750	84,750	-	339,000	84,750
10 Group benefits and insurance	79,227	84,744	5,517	345,000	74,348
11 Other	8,419	21,375	12,956	130,700	18,395
12 Total Law Libraries - centralized purchases	172,396	190,869	18,473	814,700	177,493
13 County and District law libraries - grants	1,619,191	1,619,191	-	6,476,764	1,585,935
14 Bursaries, capital and special needs grants	2,000	6,000	4,000	44,400	2,865
15 Total County and District Law Libraries Expenses	1,621,191	1,625,191	4,000	6,521,164	1,588,800
16 Total expenses	1,896,093	1,953,428	57,335	7,805,000	1,883,891
17 Surplus (Deficit)	20,478	(37,917)	58,395	(143,000)	41,770

This statement includes the revenues and expenses of the LibraryCo entity only.

LIBRARYCO INC.
Statement of Changes in Fund Balances
Stated in Dollars
For the three months ended March 31

	2016		2015	
	General Fund	Reserve Fund	Total	Total
1 Balance, beginning of year	253,081	500,000	753,081	641,356
2 Surplus (Deficit)	20,478	-	20,478	41,770
3 Balance, end of period	273,559	500,000	773,559	683,126

This statement includes the fund balances of the LibraryCo entity only.

FOR INFORMATION**OTHER COMMITTEE WORK**

41. The Committee adopted the Statement of Investment Policies and Procedures (SIP&P) for the Law Society of Upper Canada Pension Plan, as revised. The revisions reflect recent guidance from the pension regulator on content of the SIP&P, minor amendments such as those reflecting Standard Life's acquisition by Manulife, and changes to the federal investment rules under the Pension Benefits Standards Regulations.¹
42. The Committee received a report on the renewal of the Law Society's licensee database system to address its data-related and technical limitations and user demands for a more integrated and flexible system. The name of this project is the Relationship Management System, encompassing more fully the Law Society's relationship with licensees, non-licensees, and related organizations. The platform recommendation for the Relationship Management System is to primarily follow a custom development approach, with tactical use of commercial solutions where applicable. The duration and cost estimate is that the Relationship Management System project will take 4 years to complete, at a cost of \$7.2 million. The current systems are rapidly approaching the end of their useful lives.
43. The Committee briefly discussed the status of the stakeholder management consultant's work for the Lawyers Feed the Hungry program and noted an assessment of Law Society resources devoted to the Lawyers Feed the Hungry program would follow the consultant's work.

¹ The Committee's role in relation to the Law Society's pension fund is set out in By-law 3:

Administrator of pension plan

118. (1) The Audit and Finance Committee shall be the administrator of and shall administer the registered pension plan for the employees of the Society.

Powers

(2) The performance of any duty, or the exercise of any power, by the Audit and Finance Committee under any Act relevant to its role described in subsection (1) is not subject to the approval of Convocation.