



The Law Society of
Upper Canada

Barreau
du Haut-Canada

Annual Report Financial Statements

2011



THE LAW SOCIETY OF UPPER CANADA
2011 ANNUAL REPORT

Financial Statements

Contents

Management Discussion and Analysis	2
Independent Auditor's Report	7
Financial Statements and Notes	8

Management Discussion and Analysis

The Law Society of Upper Canada's ("The Society") audited financial statements present the operational results and financial position of the General Fund, the Compensation Fund, the Errors & Omissions Insurance Fund ("E&O Fund") and other restricted funds.

Accounting Standards

In the current year, the Society continued to follow the accounting standards for not-for-profit organizations contained in Part V of the Canadian Institute of Chartered Accountants ("CICA") Handbook. As required in 2012, the Society will follow the accounting standards for not-for-profit organizations contained in Part III of the CICA Handbook. No significant changes arising from this change in accounting standards are anticipated.

Separate financial statements have been prepared for the Society's subsidiaries - Lawyers' Professional Indemnity Company ("LAWPRO") and LibraryCo Inc. ("LibraryCo").

Summary of Financial Performance

The Society's General Fund reports the bulk of the Society's operations related to its regulatory and competence mandate, differentiating between lawyers and paralegals. In 2011, the lawyer General Fund experienced a surplus of \$677,000 and the paralegal General Fund experienced a deficit of \$469,000. In total, the General Fund experienced a surplus of \$208,000 (2010 – deficit of \$3.4 million).

The 2011 budget established the annual fee for lawyers on the assumption that the lawyer General Fund balance would be reduced by \$2.5 million. Based on actual results of operations, the lawyer

General Fund balance has increased by \$2.3 million to \$7.2 million. The 2012 budget has earmarked \$2.7 million of this fund balance for the reduction of annual fees.

The total of the General and Restricted funds shows a deficit for 2011 of \$3.6 million, compared to a surplus of \$7.2 million in 2010.

The deficit of \$3.6 million in the current year arises largely from the results of the Compensation Fund, and the Invested in Capital Assets Fund.

- Compensation Fund operations resulted in a deficit of \$2.4 million due to unfavourable developments in the provision for unpaid grants and declining investment income.
- Capital asset amortization of \$3 million created a deficit in the Invested in Capital Assets Fund.
- The other large restricted fund, the E&O Fund, experienced a deficit of \$310,000.

Balance Sheet

Cash and Short-Term Investments

As more fully laid out in the Statement of Cash Flows, cash and short-term investment balances increased from \$31.8 million to \$38.2 million primarily as a result of increases in payables and deferred revenue.

Investment in Subsidiaries

Investment in subsidiaries comprises the Society's investments in LibraryCo and LAWPRO recorded at cost. The Society owns all the common shares of LibraryCo at a cost of \$100. The LAWPRO investment is made up of two parts: the cost of the acquired share capital of \$4,997,000 purchased in 1991 when

LAWPRO was established, plus contributed capital of \$30,645,000 accumulated between 1995 and 1997.

Portfolio Investments

Portfolio investments are shown at fair value of \$70.2 million compared to \$75.3 million in 2010. The decline is attributable to a withdrawal from the E&O Fund's investments to fund the reduction in amounts due to LAWPRO and the transfer of \$2 million in surplus investment income to the General Fund.

Investments are held in the following funds:

(\$000's)	2011	2010
E&O Fund	27,810	33,473
Compensation Fund	29,423	28,999
General Fund	12,987	12,786
Total	70,220	75,258

Investments comprise Canadian equities (14%) and Canadian fixed income investments (86%). The portfolio is managed in compliance with the Society's investment policy. Fixed income investments include a diversified mix of government, provincial and corporate bonds with an investment rating of BBB or better. Equity investments include a diversified mix of securities listed on the Toronto Stock Exchange. The portfolio includes pooled and segregated funds.

Capital Assets

The decrease in capital assets to \$15.2 million from \$17 million reflects amortization for the period, offset by \$1.3 million in additions for projects such as the installation of security scanning equipment, replacement of infrastructure, leasehold improvements and new software.

Capital assets are recorded at cost and are amortized over their useful lives according to the Society's capital asset policy. Capital asset additions are typically financed from the Society's Capital Allocation Fund.

Deferred Revenue

Deferred revenue has increased to \$12.5 million from \$11.1 million. The increase relates primarily to more future year membership fees received in 2011 as compared to 2010. The timing of these payments does not follow a pattern and is dependent on when members actually pay their fees.

Due to LAWPRO

The amount due to LAWPRO comprises insurance premiums and levies and has decreased to \$1.1 million from \$4.1 million.

Provision for Unpaid Grants / Claims

This balance includes the reserves for the Compensation Fund's unpaid grants and the E&O Fund's unpaid claims. It increased from \$10.3 million in 2010 to \$13.4 million in 2011.

The Compensation Fund reserve for unpaid grants has increased from \$9.6 million to \$12.7 million due to a general increase in grants anticipated to be closed with payment. The paralegal Compensation Fund grant reserve comprises \$183,000 (2010 - \$107,000) of the total \$12.7 million reserve for unpaid grants.

At \$685,000, the balance of the E&O Fund provision for unpaid claims is the same as last year, all for claims pre-dating 1995. This provision is in run-off mode.

Unclaimed Trust Funds

Unclaimed trust funds continue to increase, now totalling \$2.3 million compared to \$2.2 million at the end of 2010.

These are trust monies turned over to the Society by lawyers who are unable to locate or identify the clients to whom the monies are owed. To date, monies returned to clients from the fund have been nominal. By statute, the Society administers the unclaimed trust funds, in perpetuity.

Statement of Revenues and Expenses and Changes in Fund Balances

Revenues

Annual Fees

Total General Fund annual fee revenues have increased to \$45.8 million from \$41.8 million in 2010 with a fee increase of \$81 per lawyer and \$26 per paralegal and an increase in the number of lawyers and paralegals billed. Restricted fund annual fees decreased slightly to \$18.3 million from \$19 million, with decreases in the Compensation Fund and LibraryCo levies offset by an increase in the Capital Allocation levy.

Insurance Premiums and Levies

The 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 and remits these amounts to LAWPRO.

Insurance premiums and levies increased from \$91.6 million in 2010 to \$102.5 million in 2011. This increase is primarily a result of the increase in base premiums charged to lawyers in 2011. The base premium in 2011 is \$3,350 compared to \$2,950 in 2010. Transaction levies were also higher in 2011.

Professional Development & Competence

Total professional development and competence (PD&C) revenues in the lawyer and paralegal General Fund have increased to \$16 million from \$12.2 million in 2010. This is due to increased continuing education course and materials revenue initiated by the new minimum continuing professional development (“CPD”) requirements. There has also been an increase in the number of licensing process candidates, both lawyer and paralegal.

Included in PD&C revenues are grants from the LFO totalling \$709,000 in 2011 as compared to \$980,000 in 2010.

Investment Income

Total investment income in all funds has decreased to \$2.9 million from \$5.2 million. All portfolio investments held by the Society are classified as held for trading. Accordingly, changes in market value are reported as income. The decrease was a result of the lower portfolio balance, lower interest rates and some unrealized losses. Realized gains of \$1.5 million were at the same level as 2010.

Other Revenues

Included in other revenues are a variety of items such as lawyer referral service fees, Ontario Reports royalties, catering revenues, litigation and enforcement cost recoveries, charges for fee payment plans and other miscellaneous revenues. Other income in the restricted funds has decreased to \$1.1 million from \$8.5 million due to a one-time \$8 million legal settlement in 2010.

Expenses

Professional Regulation

Regulatory expenses of \$21.2 million are higher than 2010 by \$1.2 million. The 2011 budget envisaged these expenses increasing for the year in response to the increasing number and complexity of complaints and the requirement for additional resources in the investigations and complaints resolution areas.

Professional Development & Competence

PD&C expenses are \$2 million higher than 2010 (\$19.9 million versus \$17.9 million) primarily attributable to the new CPD initiative, where a 70% increase in programs was budgeted.

Other expenses

Other expenses include payments to the Federation of Law Societies, CANLII, catering, provisions for uncollectable fees, employment settlement costs, insurance, catering costs, bench-related reimbursements and remuneration, and other miscellaneous expenses, all of which total \$7.8 million in both years.

Client Service Centre

Client Service Centre expenses have increased to \$6 million from \$5.4 million. Increases were budgeted in Membership Services, Call Centre and Administrative Compliance to support increased workload, including that arising from administration of the continuing professional development requirement.

Tribunals

The increasing length, complexity and volumes of tribunals have resulted in expenses of \$1.7 million compared to \$1.1 million in 2010. The 2011 budget saw an increase in staffing, plus incremental costs for adjudicator expenses and remuneration.

Schedule of Restricted Funds

Restricted Fund - Compensation Fund

Total expenses for the lawyer and paralegal Compensation Fund have increased to \$12.6 million from \$6.5 million in 2010. The provision for unpaid grants increased by \$5.4 million. The 2010 comparative amount was unusually low due to the reversal of a large number of provisions against one lawyer in that period and the 2011 claims experience was also not as good as the prior year. Costs for spot audit, investigations and discipline allocated from the General Fund have increased by approximately \$700,000 over 2010, as those programs have expanded as budgeted.

The Compensation Fund balance of \$23.3 million for lawyers and \$217,000 for paralegals has decreased by approximately \$2.4 million. The 2011 budget established the Compensation Fund fee for lawyers on the assumption that the lawyer Compensation Fund balance would be reduced by \$1.5 million. The 2012 budget has earmarked \$1.4 million of this fund balance for the reduction of lawyer Compensation Fund fees.

Restricted Fund - Errors & Omissions Insurance

The E&O Fund accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers.

Total expenses of the Fund have increased from \$94.9 million in 2010 to \$103.9 million in 2011. Premiums remitted to LAWPRO have increased from \$94.8 million in 2010 to \$104 million in 2011, in line with the increased base premium.

The E&O Fund balance has decreased from \$64.3 million to \$61.9 million. In 2011, the use of \$2 million in surplus investment income accumulated in this fund mitigated any increase in lawyers' annual fees. A similar amount has been set aside for this purpose in the 2012 budget.

Restricted Fund - County Libraries Fund

Funding of county libraries totalled \$6.8 million or \$196 per lawyer compared to the 2010 funding of \$6.9 million or \$203 per lawyer. However grants to county libraries increased by 2% due to the use of LibraryCo reserves.

Restricted Fund - Capital Allocation Fund

The Capital Allocation Fund has increased by \$766,000 to \$4.2 million. In 2011, the member levy was increased by \$10 to \$75, its historic level, to fund capital projects.

Restricted Fund – Other

The other restricted funds balance is made up of the J. Shirley Denison Fund, the Repayable Allowance Fund, the Special Projects Fund and the Parental Leave Assistance Plan.

Payments from the *J. Shirley Denison Fund* for the relief of poverty totalled \$20,000 to 7 successful applicants (2010 - \$31,000 to 12 successful applicants).

The *Repayable Allowance Fund* is replenished annually through the budget process by a \$100,000 annual contribution from the lawyer general fund. Loans totalled \$55,000 in 2011 (2010 - \$49,000).

The *Special Projects Fund* is used to carry forward funding to a future fiscal period for a program or activity yet to be completed, for which funding is not provided in the future year's budget. For 2011, the fund is primarily comprised of funding for bench elections, the five-year paralegal review and the articling taskforce.

The *Parental Leave Assistance Plan* ("PLAP") provides financial assistance to lawyers in firms of five lawyers or fewer who do not have access to any other parental leave financial benefits.

PLAP was established in 2009 as a three-year pilot project. Under the program, 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. Convocation has extended the provision of PLAP to December 31, 2012. Notice of one year will be provided if the Law Society decides to end the program. Benefit payments totalled \$495,000 to 60 successful applicants (2010 - \$538,000 to 67 successful applicants). At December 31, 2011, the Fund balance was \$209,000 (2010 - \$164,000), which will be carried over to the next year to fund the program.

Restricted Fund – Working Capital Reserve

The Working Capital Reserve remained at \$10.7 million during the year, in line with Convocation's policy of the balance being up to two months of operating expenses.

Conclusion

The Society remains financially sound. The Society's accumulated fund balances total \$125 million of which \$15 million represents the net book value of the Society's capital assets, \$36 million the value, at cost, of its investments in LAWPRO and LibraryCo and approximately \$74 million available to support future operations.

Independent Auditor's Report

To the Members of The
Law Society of Upper Canada

We have audited the accompanying financial statements of The Law Society of Upper Canada, which comprise the balance sheet as at December 31, 2011, and the statements of revenues and expenses and changes in fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Law Society of Upper Canada as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 26, 2012

Membre de / Member of Deloitte Touche Tohmatsu

THE LAW SOCIETY OF UPPER CANADA

Balance Sheet

Stated in thousands of dollars as at December 31

	2011	2010
Assets		
Current Assets		
Cash	19,364	17,696
Short-term investments	18,812	14,106
Cash and short-term investments	38,176	31,802
Accounts receivable (note 4 & 5)	2,059	2,024
Prepaid expenses	1,792	1,389
Total current assets	42,027	35,215
Investment in subsidiaries (note 4)	35,642	35,642
Portfolio investments (note 6)	70,220	75,258
Capital assets (note 7)	15,218	16,989
Total Assets	163,107	163,104
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	9,106	7,129
Deferred revenue	12,495	11,114
Due to LAWPRO (note 4)	1,118	4,108
Total current liabilities	22,719	22,351
Provision for unpaid grants/claims (note 8)	13,382	10,334
Unclaimed trust funds (note 9)	2,337	2,184
Total Liabilities	38,438	34,869
Fund Balances		
General fund – lawyers	7,199	4,891
– paralegals	917	1,460
Restricted funds		
Compensation – lawyers	23,324	25,726
– paralegals	217	184
Errors and omissions insurance	61,972	64,282
Capital allocation	4,177	3,411
Invested in capital assets	15,218	16,989
Other	970	617
Working capital reserve	10,675	10,675
Total Fund Balances	124,669	128,235
Total Liabilities and Fund Balances	163,107	163,104

See accompanying notes

On behalf of Convocation



Treasurer



Chair of Audit Committee

THE LAW SOCIETY OF UPPER CANADA

Statement of Revenues and Expenses and Changes in Fund Balances

Stated in thousands of dollars for the year ended December 31

	2011	2010	2011	2010	2011	2010	2011	2010
	General Fund Lawyer		General Fund Paralegal		Restricted Funds (schedule)		Total	
Revenues								
Annual fees	43,682	40,082	2,098	1,695	18,339	18,959	64,119	60,736
Insurance premiums and levies	-	-	-	-	102,531	91,557	102,531	91,557
Professional development and competence	14,509	10,452	1,538	1,710	-	-	16,047	12,162
Investment income (note 12)	764	801	-	-	2,195	4,402	2,959	5,203
Other (note 11)	5,279	5,152	65	64	1,055	8,468	6,399	13,684
Total revenues	64,234	56,487	3,701	3,469	124,120	123,386	192,055	183,342
Expenses								
Professional regulation	19,318	18,386	1,882	1,604	-	-	21,200	19,990
Professional development and competence	18,886	16,855	1,042	1,093	-	-	19,928	17,948
Administrative	8,928	8,856	544	407	-	-	9,472	9,263
Other (note 13)	7,473	7,585	351	234	-	-	7,824	7,819
Client service centre	5,664	5,120	347	248	-	-	6,011	5,368
Facilities	4,510	4,351	108	96	-	-	4,618	4,447
Policy and legal services	2,089	2,004	104	64	-	-	2,193	2,068
Communications	1,390	1,342	86	70	-	-	1,476	1,412
Equity	1,116	1,018	47	13	-	-	1,163	1,031
Tribunals	1,629	1,069	45	26	-	-	1,674	1,095
Restricted	-	-	-	-	127,894	112,851	127,894	112,851
Total expenses	71,003	66,586	4,556	3,855	127,894	112,851	203,453	183,292
Less: Expenses allocated to Compensation Fund	(7,446)	(6,783)	(386)	(340)	-	-	(7,832)	(7,123)
Net expenses	63,557	59,803	4,170	3,515	127,894	112,851	195,621	176,169
Surplus (Deficit)	677	(3,316)	(469)	(46)	(3,774)	10,535	(3,566)	7,173
Fund balances, beginning of year	4,891	8,294	1,460	1,506	121,884	111,262	128,235	121,062
Interfund transfer (note 14)	1,631	(87)	(74)	-	(1,557)	87	-	-
Fund balances, end of year	7,199	4,891	917	1,460	116,553	121,884	124,669	128,235

See accompanying notes

THE LAW SOCIETY OF UPPER CANADA

Statement of Cash Flows

Stated in thousands of dollars for the year ended December 31

	2011	2010
Net inflow (outflow) of cash related to the following activities		
Operating		
(Deficit) Surplus	(3,566)	7,173
Items not affecting cash:		
Increase (decrease) in provision for grants and claims	3,048	(3,907)
Amortization of capital assets	2,987	2,859
Capital assets write off	105	-
	2,574	6,125
Net change in non-cash operating items:		
Accounts receivable	(35)	(79)
Prepaid expenses	(403)	95
Accounts payable and accrued liabilities	1,977	482
Due to LAWPRO	(2,990)	(15,016)
Deferred revenue	1,381	(1,323)
Fund contribution – unclaimed trusts	153	239
Cash from (used in) operating activities	2,657	(9,477)
Investing		
Portfolio investments (net)	5,038	6,545
Short-term investments (net)	(4,706)	4,255
Capital asset additions	(1,321)	(1,850)
Cash (used in) from investing activities	(989)	8,950
Net inflow (outflow) of cash, during the year	1,668	(527)
Cash, beginning of year	17,696	18,223
Cash, end of year	19,364	17,696

See accompanying notes

THE LAW SOCIETY OF UPPER CANADA

Notes to Financial Statements

Stated in whole dollars except where indicated

1. Background

The Law Society of Upper Canada (the “Society”) was founded in 1797 and incorporated in 1822 with the enactment of the *Law Society Act*. In 2007, the *Law Society Act* was amended by the *Access to Justice Act* to legislate the regulation of paralegals by the Society.

The *Law Society Act*, section 4.1, states that it is the 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 members 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.

At December 31, 2011, the Society had a membership of approximately 43,000 lawyers and 4,000 paralegals. The primary sources of revenues are member annual fees and insurance premiums and levies, set by Convocation, based on the financial requirements of the Society.

The Society is a not-for-profit organization, as described in Section 149(1)(l) of the *Income Tax Act*, and therefore 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 Fund and a number of special purpose funds restricted by the *Law Society Act* or Convocation.

Subsidiaries and Related Corporation

The Society has two wholly-owned subsidiaries: Lawyers' Professional Indemnity Company ("LAWPRO"), and LibraryCo Inc. ("LibraryCo") and a related corporation, the Law Society Foundation. These entities have not been consolidated or included in the Society's financial statements apart from the information in Notes 4 and 5. The audited annual financial statements for these three entities are available separately.

General Fund

The *General Fund* is the Society's operating fund, accounting for the Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. This fund reports unrestricted resources. At December 31, 2011, the lawyer fund balance was \$7,199,000 (2010 – \$4,891,000) and the paralegal fund balance was \$917,000 (2010 – \$1,460,000).

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 member, in connection with the member's professional business or in connection with any trust of which the member was a trustee. The Compensation Fund is restricted in use by the *Law Society Act*.

Pursuant to the *Law Society Act*, the Compensation Fund is supported by members' annual fees, investment income and recoveries. The Compensation Fund accounts for program delivery, administration and payment of grants and has separate fund balances for lawyer members and paralegal members.

The General Fund allocates certain administrative expenses, spot audit expenses and a portion of the costs of operating the investigation and discipline functions of the Society to the Compensation Fund. In 2011, these amounted to \$7,832,000 (2010 – \$7,123,000). At December 31, 2011, the lawyer share of the fund balance was \$23,324,000 (2010 – \$25,726,000) and the paralegal share of the fund balance was \$217,000 (2010 – \$184,000).

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.

To the extent that transaction-based levies exceed anticipated amounts, the excess remains in the E&O Fund and is applied as premiums in future years. In the event of a shortfall, the shortfall is met by additional funds from the E&O fund balance. The net contribution to the 2011 insurance program from the E&O Fund balance was \$1,490,000 (2010 – \$3,229,000).

There is also a retrospective premium provision under the insurance policy between the Society and LAWPRO. To the extent underwriting results vary from the approved program, additional premiums are charged. Under these provisions, LAWPRO made no retrospective premium assessment in 2011 and 2010.

The E&O Fund also reports claims liabilities for 1995 and prior which are now substantially in run-off mode. The Society retained financial responsibility for insurance policy deductibles through to December 31, 1994. Effective 1995, 100% of the risk above the individual member deductible was insured through LAWPRO.

At December 31, 2011, the E&O Fund balance was \$61,972,000 (2010 – \$64,282,000) of which \$35,642,000 (2010 – \$35,642,000) comprises the Society's investment in LAWPRO.

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 assets. These include buildings and major equipment including computers. Amounts of assets capitalized, according to the Society's capital asset policy, are transferred to the Invested in Capital Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund. At December 31, 2011, the balance was \$4,177,000 (2010 – \$3,411,000).

Invested in Capital Assets Fund

The *Invested in Capital Assets Fund* records transactions related to the Society's capital assets, specifically acquisitions, amortization and disposals. At December 31, 2011, the balance was \$15,218,000 (2010 – \$16,989,000), representing the net book value of the Society's capital 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 fees for county library purposes which are remitted to LibraryCo. The fund balance at December 31, 2011 and 2010 was \$nil.

Working Capital Reserve

The *Working Capital Reserve* was approved by Convocation to ensure adequate cash reserves for the continuous financing of the General Fund operations for up to two months. The fund balance at December 31, 2011 and 2010 was \$10,675,000.

Other Restricted Funds

The *Repayable Allowance Fund* provides loans for tuition and living expenses to candidates in the lawyer licensing process. At December 31, 2011, the balance was \$203,000 (2010 – \$159,000).

The *J. Shirley Denison Fund*, an endowment fund, provides relief and assistance to lawyers, candidates in the lawyer licensing process and former lawyers who find themselves in difficult financial circumstances. Contributions for endowments are recognized as revenues. At December 31, 2011, the balance was \$74,000 (2010 – \$92,000).

The *Special Projects Fund* is maintained to ensure that financing is available for ongoing special projects approved by Convocation. The balance at December 31, 2011 was \$484,000 (2010 – \$202,000).

The *Parental Leave Assistance Fund* accounts for the delivery of the Parental Leave Assistance Program ("PLAP") and is funded by lawyers' fees. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who do not have access to any other parental leave financial benefits. Under the program, 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. Convocation has extended the provision of PLAP to December 31, 2012. Notice of one year will be provided if the Law Society decides to end the program.

At December 31, 2011, the Fund balance was \$209,000 (2010 – \$164,000), which will be carried over to the next year to fund the program.

3. Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants (“CICA”) using the restricted fund method of reporting revenues.

In December 2010, the CICA issued a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between Canadian accounting standards for not-for-profit organizations (Part III of the CICA Handbook) and International Financial Reporting Standards (Part I of the CICA Handbook). The Society will adopt Part III of the CICA Handbook, commencing in 2012, and has determined that the impact on its financial statements of adopting these standards will not be significant.

Financial instruments

Under the standards for recognizing and measuring financial instruments, all financial assets are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The Society’s financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Category	Measurement
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Portfolio investments	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Unclaimed trust funds	Other financial liabilities	Amortized cost

Other amounts noted on the Balance Sheet such as prepaid expenses, capital assets, investment in subsidiaries, deferred revenue, and the provisions for unpaid grants / claims, are not financial instruments. Investments in subsidiaries are reported at cost.

The fair value of portfolio investments is determined by reference to published quotations in an active market at year end for fixed income and by reference to transactional net asset value for the Canadian equity pooled fund. Transaction costs are expensed as incurred. The fair value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and unclaimed trust funds approximate their carrying values 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 Society has no 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 equities meeting specified quality requirements.

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 and short and long-term fixed income investments was \$103,059,000 (2010 – \$92,937,000). 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 \$2,059,000 (2010 – \$2,024,000). 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 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 categorized as held for trading and 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. For purposes of calculating the first year's amortization, all capital assets are deemed to be acquired, put into service, or completed on July 1. Amortization is charged to expenses on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Building improvements	10 years
Furniture, equipment and computer hardware and software	3 to 5 years

Revenue recognition

Member fees, 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. Premium revenues are recognized on a pro rata basis over the term of the respective insurance policies. Premiums

related to the unexpired term of coverage at the balance sheet date are reported as deferred revenue. Transaction-based levies are recorded as revenues in the year received.

Professional Development & Competence, and other revenues and realized investment income/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 and premiums receivable are recorded as accounts receivable on the balance sheet, net of any required provision for doubtful amounts.

Grant - related balances

Included in the provision for unpaid grants/claims is the provision for unpaid Compensation Fund 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 \$150,000 limit per applicant. Grants paid from the paralegal pool of the Compensation Fund are subject to a \$10,000 limit per applicant. The Compensation Fund expense represents a provision for unpaid grants, administrative expenses and expenses allocated from the General Fund.

Provisions for unpaid grants are recorded as liabilities on the balance sheet. 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 2.57% (2010-3.49%).

Claim - related balances

Included in the provision for unpaid grants/claims is the provision for unpaid E&O Fund claims. The provision for unpaid claims in the E&O Fund reflects management's best estimates of the ultimate exposure to applicable claims. The provision consists of case estimates prepared by claims professionals as well as a provision for potential adverse developments. The estimates include related investigation, settlement and adjustment expenses. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income. The provision is recorded net of anticipated, reinsurance, salvage and subrogation recoveries.

The measurement of the ultimate settlement costs of claims made to date that underlies the provision for unpaid claims and any related recoveries for reinsurance and deductibles, involves estimates and measurement uncertainty. The amounts are based on estimates of future trends in claim severity and other factors which could vary as claims are settled.

Variability can be caused by several factors including the emergence of additional information on claims, changes in judicial interpretation and significant changes in severity or frequency of claims from historical trends. 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. An

actuary assists in the valuation of claims liabilities at least annually. As adjustments to estimated claims liabilities become necessary, they are reflected in current operations.

Claim liabilities are carried on a discounted basis using the yield of the underlying assets backing the claim liabilities, with a provision for adverse deviation, in accordance with accepted actuarial practice. The discount rate is 2.04% (2010 – 2.87%).

Expected reinsurance and deductible recoveries on paid and unpaid claims are recognized net of any required provision for uncollectible accounts at the same time as the related claims liability.

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.

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 have ex-officio status by virtue of their office or past service as elected benchers or Treasurers or qualify as emeritus benchers. In addition, the Paralegal Standing Committee is responsible for developing policy related to paralegal regulation for Convocation's approval. Licensed paralegals elect five paralegal members to the Paralegal Standing Committee.

In total there are 13 members of the Paralegal Standing Committee: five paralegals, five lawyers and three lay benchers. Two paralegal benchers are elected by the Paralegal Standing Committee's five paralegal members and three lay benchers.

Elected and ex-officio benchers and Paralegal Standing Committee members are only eligible for remuneration 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 generally accepted accounting principles (“GAAP”) 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 liabilities, unpaid grants and unpaid claims 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:

	2011	2010
LAWPRO	35,642,000	35,642,000
LibraryCo	100	100
Total investment in subsidiaries	35,642,100	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 lawyers professional liability insurance, LAWPRO also sells optional excess lawyers professional liability and title insurance.

The \$5 million in capital stock of LAWPRO comprises 30,000 common shares of par value of \$100 each and 20,000 6% non-cumulative, redeemable, non-voting preferred shares. In the period from 1995 to 1997, the Society transferred a net amount of \$30.6 million in capitalization funding as contributed surplus to LAWPRO.

Canadian GAAP requires Canadian publicly accountable entities to adopt International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. As a result, LAWPRO has adopted IFRS for its financial reporting in 2011 and comparative financial information for 2010. The impact of these changes on LAWPRO’s balance sheet, statement of income and cash flows can be found in reconciliations included with their financial statements available separately. It has had no effect on the Society’s investment in subsidiary, which is carried at cost.

There are therefore significant differences in the accounting policies of LAWPRO and the Society, but because the two organizations are so different and LAWPRO is not consolidated, there is no merit in reconciling the differences arising from the different financial reporting framework adopted by the two organizations.

Summarized balance sheet of LAWPRO at December 31:

(\$000’s)	2011	2010
Total assets	580,558	550,989
Total liabilities	412,682	391,682
Total shareholder’s equity	167,876	159,307
Total liabilities and shareholder’s equity	580,558	550,989

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

(\$000’s)	2011	2010
Revenue	134,039	121,396
Expenses	(121,923)	(99,321)
Income before taxes	12,116	22,075
Income tax expense	(3,410)	(6,862)
Net income	8,706	15,213
Other comprehensive (loss) income net of tax	(137)	3,027
Comprehensive income	8,569	18,240

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

(\$000’s)	2011	2010
Net cash inflow from operating activities	18,834	37,580
Net cash outflow from investing activities	(18,749)	(33,200)
Cash and cash equivalents, beginning of year	16,851	12,471
Cash and cash equivalents, end of year	16,936	16,851

LAWPRO administers the operations of the E&O Fund at no charge, under an administrative services agreement. LAWPRO billed the Society \$104,021,000 (2010 – \$94,786,000) for premiums during the year. LAWPRO paid the Society \$125,000 (2010 – \$182,000) primarily for shared information systems and governance costs. Included in the Society’s liabilities

are amounts due to LAWPRO of \$1,118,000 (2010 – \$4,108,000).

LibraryCo

LibraryCo, 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. LibraryCo was incorporated under the *Business Corporations Act (Ontario)* in 2001. 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 County and District Law Presidents’ Association (“CDLPA”). The Society may appoint up to four directors, CDLPA may appoint up to three directors and TLA may appoint one director. The investment is recorded at cost on the Society’s Balance Sheet.

The Society levies and collects funds for county and district law library purposes and transfers these funds to LibraryCo. 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 balance sheet of LibraryCo at December 31:

	2011	2010
Total assets	1,151,000	1,696,000
Total liabilities	117,000	85,000
Total share capital and fund balances	1,034,000	1,611,000
Total liabilities, share capital and fund balances	1,151,000	1,696,000

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

	2011	2010
Total revenue	7,577,000	7,734,000
Total expenses	8,154,000	7,827,000
Deficit	577,000	93,000

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

	2011	2010
Net cash outflow from operating activities	(546,000)	(90,000)
Cash and short-term investments, beginning of year	1,660,000	1,750,000
Cash and short-term investments, end of year	1,114,000	1,660,000

The Society administers the operations of LibraryCo under an administrative services agreement. The total amount billed by the Society was \$722,000 (2010 – \$706,000) for administrative services and certain other services and publications. At year end, LibraryCo owed the Society \$51,000 (2010 – \$66,000).

5. Related Corporation

The Law Society Foundation (“LSF”) is regarded as a related corporation, 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, receive donations and maintain funds for the relief of poverty by providing meals to persons in need.

The Society provides facilities, administration, accounting, security and certain other services at no cost to the LSF. Trustees of the LSF are elected by the members of the LSF. Included in accounts receivable are amounts due from the LSF of \$3,000 (2010 – \$34,000).

6. Portfolio Investments

(\$000's)	2011	2010
Debt securities	60,399	60,936
Canadian equities	9,821	14,322
Total portfolio investments	70,220	75,258

The effective yields on debt securities range from 1.1% to 3.4% with maturity dates from 1 to 5 years.

7. Capital Assets

(\$000's)	2011			2010
	Cost	Accumulated Amortization	Net	Net
Land and buildings	25,394	19,970	5,424	5,977
Building improvements	21,655	12,555	9,100	10,171
Furniture, equipment and computer hardware and software	6,956	6,262	694	841
Total capital assets	54,005	38,787	15,218	16,989

8. Provision for Unpaid Grants / Claims

(\$000's)	2011	2010
Provision for unpaid grants – Compensation Fund	12,697	9,648
Provision for unpaid claims – E&O Fund	685	686
TOTAL	13,382	10,334

9. Unclaimed Trust Funds

Section 59.6 of the *Law Society Act* permits a member 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 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 \$2,337,000 (2010 – \$2,184,000).

10. Other Trust Funds

The Society administers client funds for members under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the Balance Sheet. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. At December 31, 2011, total funds held in trust amount to \$2,046,000 (2010 – \$2,685,000).

11. Other Revenues

Included in other revenues is income from the *Ontario Reports*, catering, the Lawyer Referral Service, specialist certification and, in 2010, an \$8 million legal settlement of all claims, damages and

expenses related to a longstanding matter regarding the valuation of the E&O Fund's pre-1995 claims reserves.

12. Investment Income

Investment income is summarized below (\$'000s):

	2011	2010
Dividends and interest	2,550	2,860
Realized gains	1,515	1,489
Unrealized (losses) gains	(1,106)	854
TOTAL	2,959	5,203

13. Other Expenses

Included in other expenses are payments to the Federation of Law Societies, County and District Law Presidents' Association, insurance, professional fees, termination payments, catering, other corporate expenses and governance related disbursements. The total remuneration and expense reimbursements of elected and ex-officio benchers and Paralegal Standing Committee members during the year was \$901,000 (2010 - \$589,000) and \$635,000 (2010 - \$546,000) respectively. The Treasurer's honorarium for the year was \$106,000 (2010 - \$104,000).

14. Interfund Transfers

During the year the following interfund transfers took place:

- \$2 million in surplus investment income transferred from the E&O Fund to the General Fund as established in the 2011 budget and LAWPRO's report for the 2011 insurance year.
- \$1.3 million transferred from the Capital Allocation Fund to the Invested in Capital Assets Fund representing assets capitalized during the year in compliance with GAAP and the Law

Society's accounting policies.

- \$61,000 transferred from the General Fund to the County Libraries Fund.
- Transfer of \$100,000 from the General Fund to the Repayable Allowance Fund, as provided in the 2011 budget to fund the Repayable Allowance Program in the Licensing Process.
- Transfer of \$282,000 from the General Fund to the Special Projects Fund.

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, elect 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 pension expense in 2011 amounted to \$2,138,000 (2010 - \$2,008,000).

16. Capital Management

The Society is a corporation without share capital, incorporated with the enactment of the *Law Society Act*. The Society's capital comprises Fund Balances which are described separately in these notes. As at December 31, 2011, the Society's Fund Balances totalled \$124,669,000 (2010 - \$128,235,000). The Society's objectives when managing capital are to provide sufficient funding to carry out its functions, duties and powers and maintain financial strength. There are no externally imposed requirements.

17. Commitments

The Society is committed to monthly lease payments for property under leases having various terms up to April 2020. Aggregate minimum annual payments to the expiry of the leases are as follows:

2012	\$905,000
2013	\$956,000
2014	\$959,000
2015	\$955,000
2016	\$922,000
Thereafter	\$4,938,000

In 2011, the Society renewed a five-year commitment in the annual amount of \$138,000 (previously \$100,000) to the Law Commission of Ontario to support its operations.

18. 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.

19. Guarantees

In the normal course of business, the Society has entered into agreements that meet the definition of a guarantee, including indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service

agreements. Under the terms of these agreements, the Society agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

The Society has also provided indemnification to all directors and officers of the Society. Under section 9 of the *Law Society Act*:

“No action or other proceedings for damages shall be instituted against the Treasurer or any bencher, official of the Society or person appointed in Convocation for any act done in good faith in the performance or intended performance of any duty or in the exercise or in the intended exercise of any power under this Act, a regulation, a by-law or a rule of practice and procedure, or for any neglect or default in the performance or exercise in good faith of any such duty or power.”

Notwithstanding section 9, the Society has also purchased errors and omissions insurance for past and present officers, employees, committee members, benchers, agents and volunteers acting on behalf of the Society, its subsidiaries and affiliates, to mitigate the cost of any potential suit or action. No estimate of the maximum exposure under these indemnifications can be made and historically the Society has not made any significant payments under such or similar indemnification agreements. No amount has been accrued in the financial statements with respect to these agreements.

THE LAW SOCIETY OF UPPER CANADA

Schedule of Restricted Funds

Stated in thousands of dollars for the year ended December 31

	2011								2010	
	Compensation Fund		Errors and omissions insurance	Capital allocation	Invested in capital assets	County libraries	Other restricted	Working capital reserve	Total Restricted Funds	Total Restricted Funds
	Lawyer	Paralegal								
Fund balances, beginning of year	25,726	184	64,282	3,411	16,989	-	617	10,675	121,884	111,262
Revenues										
Annual fees	7,688	506	-	2,821	-	6,784	540	-	18,339	18,959
Insurance premiums and levies	-	-	102,531	-	-	-	-	-	102,531	91,557
Investment income (note 12)	1,128	-	1,067	-	-	-	-	-	2,195	4,402
Other (note 11)	927	-	-	128	-	-	-	-	1,055	8,468
Revenues	9,743	506	103,598	2,949	-	6,784	540	-	124,120	123,386
Expenses	12,145	473	103,908	862	3,092	6,845	569	-	127,894	112,851
(Deficit) Surplus	(2,402)	33	(310)	2,087	(3,092)	(61)	(29)	-	(3,774)	10,535
Interfund transfers (note 14)	-	-	(2,000)	(1,321)	1,321	61	382	-	(1,557)	87
Fund balances, end of year	23,324	217	61,972	4,177	15,218	-	970	10,675	116,553	121,884

See accompanying notes



Osgoode Hall

130 Queen St West

Toronto, Ontario M5H 2N6

416-947-3300

1-800-668-7380

www.lsuc.on.ca