

# Financial Statements 2019



**Law Society**  
of Ontario

**Barreau**  
de l'Ontario

LAW SOCIETY OF ONTARIO  
**2019 Annual Financial Statements**

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# LAW SOCIETY OF ONTARIO

## 2019 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, are reporting for the year combined operating expenses in excess of revenues of \$836,000 (2018 – \$118,000 expenses in excess of revenues). To mitigate annual fee increases, the 2019 budget incorporated funding through the use of \$5.1 million of the lawyer General Fund balance along with \$1.2 million in funding from surplus investment income in the Errors & Omissions Insurance Fund. Similarly, the 2019 budget planned for utilization of \$2.4 million of the paralegal General Fund balance to fund operations associated with the paralegal General Fund. The use of available fund balances to fund operations is a not-for-profit budgeting best practice. As a result of the better than anticipated financial performance in 2019, the Society did not utilize the lawyer General Fund balance and used less of the paralegal General Fund balance than planned to fund operations.

The Society's restricted funds are reporting combined excess of revenues over expenses of \$8.4 million in 2019 (2018 – \$7.5 million excess of revenues over expenses) with the lawyer Compensation Fund experiencing revenues in excess of expenses of \$10.1 million (2018 – \$8.5 million revenues in excess of expenses). In response to unusually high claims against the lawyer Compensation Fund prior to 2017, the Society implemented a three year plan from 2018 to 2020 to refinance the Fund and restore its financial stability. As part of this plan, the lawyer Compensation Fund component of the annual fee was increased for this three year period to raise an additional \$5 million in each year. As at the end of 2019, this plan, coupled with grant claims returning to a more normal level, has allowed the fund balance to increase to \$21.8 million.

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

##### Revenues

###### *Annual Fees*

Total annual fee revenues have increased to \$99.3 million (2018 – \$95.8 million) driven by an increase in the total annual fee per lawyer and paralegal of \$18 and \$15, respectively. In addition, the number of licensees billed increased although the rate of increase in the number of full-fee-paying-equivalent paralegal licensees has slowed over recent years. Although there was an overall increase in annual fee revenues, the Restricted Funds experienced a planned decrease in revenues as the lawyer Compensation Fund component of the annual fee decreased by \$74 or 25%.

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

The Errors & Omissions Insurance Fund ("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 slightly to \$102.8 million in 2019 (2018 – \$102.7 million). The professional liability insurance program and the base premium for professional liability insurance coverage for Ontario lawyers remained unchanged at \$2,950 in 2019.

#### *Professional Development & Competence (“PD&C”)*

PD&C revenue comprises licensing process and continuing professional development (“CPD”) fees. Total PD&C revenue has increased this year to \$23.1 million (2018 – \$22.0 million).

Licensing Process revenue from lawyer (\$12.6 million) and paralegal candidates (\$2.3 million) have increased by \$854,000 from 2018. The underlying licensing fees charged to candidates did not change but there was an increase in the number of exams written and increased requests for reinstatement into the licensing process in 2019 that drove the overall increase in revenue.

CPD revenue has increased to \$8.2 million (2018 – \$7.9 million). There was an increase in the number of CPD programs offered in 2019 and a shift toward online learning with more registrants viewing programs via live webcast or on demand.

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

Investment related income was significantly higher in 2019 at \$4.9 million (2018 – \$688,000 loss). Increases in the market value of Canadian equities, resulted in an unrealized gain of \$2.6 million for the year (2018 – \$3.3 million loss) while lower interest rates on bonds resulted in a reduction in interest income to \$2.3 million (2018 – \$2.6 million).

#### *Other Revenue*

Other revenue of \$8.4 million (2018 – \$9 million) primarily comprises income from *Ontario Reports* royalties, administrative fees, regulatory compliance ordered cost recoveries, and catering sales. The decrease from 2018 is largely due to decreases in ordered costs which are difficult to predict.

## **Expenses**

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

Total regulatory expenses increased to \$30.5 million (2018 – \$29.0 million) but continue to be less than budget due to staff vacancies. The reorganization of the Division was predominantly completed in 2018 and the majority of vacancies were filled throughout 2019.

#### *Professional Development and Competence*

Total PD&C expenses have increased to \$30.8 million (2018 – \$29.4 million).

Enhancements to the practice management helpline, as approved by Convocation and planned for in the budget, were implemented in 2019 and have increased PD&C expenses.

Exam supports for candidates (proctors, invigilation, and accommodation costs) and venue rentals costs have increased in 2019. There was an increase in the number of candidates writing exams and an increase in the number requiring accommodation. The rise in costs is offset by increased revenues in 2019.

### *Corporate Services*

Corporate Services expenses, primarily comprising the Client Service Centre, Information Technology, Facilities, Finance and Human Resources, were \$33.9 million (2018 – \$27.8 million). This increase was primarily related to a legal matter resulting in a large settlement for which the Society is pursuing recovery through our insurer.

### *Convocation, Policy and Outreach*

Convocation, Policy and outreach expenses, primarily related to Policy, External Relations & Communications and bencher related expenses, decreased to \$8.8 million (2018 – \$9.4 million). The change is attributable to a decrease in bencher related expenses and some staffing vacancies.

## **Changes in Fund Balances**

### *General Fund*

The balance of the lawyer General Fund balance increased to \$26.1 million with revenues in excess of expenses for the year of \$124,000 contributing to the increase. Convocation's fund balance management policy establishes minimum and maximum benchmarks of two months and three months operating expenses be maintained in the lawyer General Fund balance or between \$19 million and \$28 million. The Society is in compliance with the fund balance policy.

Expenses in excess of revenues for the year of \$960,000 led to a decrease in the paralegal General Fund balance to \$1.8 million.

### *Restricted Funds*

In 2019, revenues in excess of expenses for the year in the lawyer Compensation Fund amounted to \$10.1 million increasing the fund balance for lawyers to \$21.8 million. The Society's fund balance management policy is to maintain the fund balance at an amount sufficient to provide for a minimum of one 99.5<sup>th</sup> percentile aggregate claim scenario (a one-in-two-hundred-year event). The latest actuarial report estimates this balance at \$20.5 million. As in 2018 and 2019, the 2020 budget includes \$5 million to continue restoring the fund balance based on the three year plan approved by Convocation.

In 2019, the Compensation Fund balance for paralegals increased slightly to \$948,000 after revenues in excess of expenses for the year of \$297,000.

The E&O Fund balance remained comparable at \$54.4 million (2018 – \$54.6 million) after recognizing investment income during the year and the transfer of \$1.2 million in cumulative excess investment income to the General Fund as budgeted.

## **Balance Sheet**

### *Investment in Subsidiaries*

Investment in subsidiaries comprises the Society's investments in LAWPRO and LibraryCo recorded at cost. The LAWPRO investment is made up of two parts: the cost of the acquired share capital of \$5 million plus contributed capital of \$30.6 million. The Society owns all the common shares of LibraryCo at a cost of \$100.

### *Portfolio Investments*

Portfolio investments are shown at fair value of \$63.8 million (2018 – \$61.6 million). Portfolio investments have increased because of unrealized gains totalling \$2.6 million. Investments comprise Canadian equities (30%) and Canadian fixed income investments (70%).

### *Intangible Assets*

An impairment in the valuation of the licensee database resulted in a write-down of \$1.4 million. This impairment write-down decreased intangible assets from \$4.3 million to \$3.1 million.

### *Provision for Unpaid Grants*

The Compensation Fund liability for unpaid grants has decreased to \$17.4 million (2018 – \$24.7 million). The provision for unpaid grants in the Compensation Fund represents the estimate for unpaid claims against the Compensation Fund, supplemented by the costs for processing these claims. The decrease in this liability in the current year is due to a combination of lower claim volumes and the settlement of claims attributable to a few large defalcations.

## **Conclusion**

The Society is in a financially sound position, with notable improvement in the fund balance of the Compensation Fund, and is well placed for the future.



## *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, 2019 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 balance sheet as at December 31, 2019;
- 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 a summary of significant accounting policies.

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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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*PricewaterhouseCoopers LLP*  
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*  
*T: +1 416 863 1133, F: +1 416 365 8215*

"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  
May 28, 2020

# LAW SOCIETY OF ONTARIO

## Balance Sheet

Stated in thousands of dollars

As at December 31

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash (note 10)	34,863	44,652
Short-term investments	19,709	13,921
Accounts receivable (notes 4, 5 and 9)	11,967	12,416
Prepaid expenses	3,134	2,398
<b>Total current assets</b>	<b>69,673</b>	<b>73,387</b>
Investment in subsidiaries (note 4)	35,642	35,642
Portfolio investments (note 6)	63,821	61,580
Loan receivable (note 7)	1,162	878
Capital assets (note 8)	8,651	9,027
Intangible assets (note 8)	3,127	4,259
<b>Total Assets</b>	<b>182,076</b>	<b>184,773</b>
<b>Liabilities and Fund Balances</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (notes 5 and 9)	13,906	15,160
Deferred revenue	16,031	16,953
Due to LAWPRO (note 4)	7,354	8,483
<b>Total current liabilities</b>	<b>37,291</b>	<b>40,596</b>
Provision for unpaid grants/claims	17,439	24,749
Unclaimed trust funds (note 10)	5,587	5,390
Lease obligations	648	522
<b>Total Liabilities</b>	<b>60,965</b>	<b>71,257</b>
<i>Other trust funds (note 11), Commitments (note 16) and Contingencies (note 17)</i>		
<b>Fund Balances</b>		
<b>General funds</b>		
Lawyers	26,106	25,138
Paralegals	1,834	3,074
<b>Restricted funds (note 19)</b>		
Compensation – lawyers	21,818	11,762
Compensation – paralegals	948	651
Errors and omissions insurance	54,445	54,572
Capital allocation	2,927	4,144
Invested in capital and intangible assets	11,778	13,286
County libraries	189	131
Other	1,066	758
<b>Total Fund Balances</b>	<b>121,111</b>	<b>113,516</b>
<b>Total Liabilities and Fund Balances</b>	<b>182,076</b>	<b>184,773</b>

Subsequent events (note 18)

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*

	2019	2018	2019	2018	2019	2018	2019	2018
	General Fund Lawyer		General Fund Paralegal		Restricted Funds (note 19)		Total	
<b>Revenues</b>								
Annual fees	70,927	65,252	6,073	5,778	22,330	24,822	99,330	95,852
Insurance premiums and levies	–	–	–	–	102,772	102,657	102,772	102,657
Professional development and competence	19,876	18,942	3,245	3,073	–	–	23,121	22,015
Investment income	803	1,113	96	141	1,447	1,310	2,346	2,564
Change in fair value of investments	1,002	(761)	127	(96)	1,472	(2,395)	2,601	(3,252)
Other (note 12)	7,090	7,962	1,239	1,134	89	(74)	8,418	9,022
<b>Total revenues</b>	<b>99,698</b>	<b>92,508</b>	<b>10,780</b>	<b>10,030</b>	<b>128,110</b>	<b>126,320</b>	<b>238,588</b>	<b>228,858</b>
<b>Expenses</b>								
Professional regulation, tribunals and compliance	27,046	25,702	3,433	3,258	–	–	30,479	28,960
Professional development and competence	27,482	26,276	3,314	3,130	–	–	30,796	29,406
Corporate services (note 13)	30,335	24,265	3,531	3,538	–	–	33,866	27,803
Convocation, policy and outreach (note 13)	7,934	8,486	861	932	–	–	8,795	9,418
Services to members and public	6,777	6,494	601	575	–	–	7,378	7,069
Restricted (note 19)	–	–	–	–	119,679	118,777	119,679	118,777
<b>Total expenses</b>	<b>99,574</b>	<b>91,223</b>	<b>11,740</b>	<b>11,433</b>	<b>119,679</b>	<b>118,777</b>	<b>230,993</b>	<b>221,433</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>124</b>	<b>1,285</b>	<b>(960)</b>	<b>(1,403)</b>	<b>8,431</b>	<b>7,543</b>	<b>7,595</b>	<b>7,425</b>
<b>Fund balances, beginning of year</b>	<b>25,138</b>	<b>23,239</b>	<b>3,074</b>	<b>4,477</b>	<b>85,304</b>	<b>78,375</b>	<b>113,516</b>	<b>106,091</b>
<b>Interfund transfers (notes 2 and 14)</b>	<b>844</b>	<b>614</b>	<b>(280)</b>	<b>–</b>	<b>(564)</b>	<b>(614)</b>	<b>–</b>	<b>–</b>
<b>Fund balances, end of year</b>	<b>26,106</b>	<b>25,138</b>	<b>1,834</b>	<b>3,074</b>	<b>93,171</b>	<b>85,304</b>	<b>121,111</b>	<b>113,516</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*

	2019	2018
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Excess of revenues over expenses	7,595	7,425
Items not affecting cash:		
Amortization of capital assets	2,003	1,970
Amortization of intangible assets	374	387
Loss on disposal of capital and intangible assets	1,434	239
Lease obligations	126	321
	<b>11,532</b>	10,342
Net change in non-cash operating items:		
Accounts receivable	449	(1,596)
Prepaid expenses	(736)	131
Accounts payable and accrued liabilities	(1,254)	2,059
Provision for unpaid grants/claims	(7,310)	(2,874)
Due (to)/from LAWPRO	(1,129)	1,506
Deferred revenue	(922)	(729)
Fund contribution – unclaimed trusts	197	353
<b>Cash from operating activities</b>	<b>827</b>	9,192
<b>Investing</b>		
Portfolio investments – net	(2,241)	2,039
Loan receivable	(284)	(878)
Short-term investments – net	(5,788)	27,949
Capital asset and intangible asset additions	(2,303)	(5,044)
<b>Cash from (used in) investing activities</b>	<b>(10,616)</b>	24,066
<b>Net inflow (outflow) of cash, during the year</b>	<b>(9,789)</b>	33,258
Cash, beginning of year	44,652	11,394
<b>Cash, end of year</b>	<b>34,863</b>	44,652

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

## LAW SOCIETY OF ONTARIO

### Notes to Financial Statements, December 31, 2019

*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.

At December 31, 2019, lawyers and paralegals entitled to provide legal services in Ontario numbered approximately 55,000 and 9,000 respectively. 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.

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 LibraryCo Inc. ("LibraryCo") and a related entity, the Law Society Foundation. The audited annual financial statements for these three entities are available separately.

### ***General Funds***

The General Fund accounts 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, 2019, the lawyer fund balance was \$26,106,000 (2018 – \$25,138,000). The paralegal fund balance was \$1,834,000 (2018 – \$3,074,000).

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

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

- mitigate the 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 General Fund balance is less than two months of budgeted General Fund expenses, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the General Fund balance is more than two months of budgeted General Fund expenses and less than three months of budgeted General Fund expenses, Convocation may appropriate funds from the General Fund Balance for one or more of the following:

- mitigate the 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.

### ***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 Compensation Fund balance at an amount sufficient to provide for a minimum of one 99.5th percentile aggregate claim scenario (one-in-two-hundred-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 Compensation Fund balance exceeds four one-in-one-hundred-year events, Convocation shall utilize some or all of the excess for the following:

- mitigation of the Lawyer Compensation Fund levy for the next fiscal year; or
- annual mitigation of the Lawyer Compensation Fund levy shall continue such that within the next three fiscal years, the maximum benchmark shall be achieved.

If the Lawyer Compensation Fund balance is less than a one one-in-two-hundred-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 Compensation Fund balance is more than a one one-in-two-hundred-year event and less than four one-in-one-hundred-year events, Convocation may:

- mitigate the Lawyer Compensation Fund levy for the next fiscal year or;
- budget for a surplus sufficient to increase the fund balance to its maximum policy objective of four one-in-one-hundred-year events; or
- leave the fund balance at its current balance for the upcoming fiscal year.

At December 31, 2019, the lawyer share of the fund balance was \$21,818,000 (2018 – \$11,762,000) and the paralegal share of the fund balance was \$948,000 (2018 – \$651,000).

#### ***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.

There is 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 2019 and 2018.

In 2019, \$1,200,000 (2018 – \$600,000) was transferred from the E&O Fund to the lawyer General Fund as provided in the 2019 budget representing accumulated investment income, surplus to the needs of the E&O Fund.

At December 31, 2019, the E&O Fund balance was \$54,445,000 (2018 – \$54,572,000). The Fund balance is comprised of:

(\$000s)	2019	2018
Investment in LAWPRO shares	5,000	5,000
Contributed capital	30,642	30,642
Reinsurance backstop	15,000	15,000
Other	3,803	3,930
<b>Total fund balance</b>	<b>54,445</b>	<b>54,572</b>

### ***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. At December 31, 2019, the balance was \$2,927,000 (2018 – \$4,144,000).

### ***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. At December 31, 2019, the balance was \$11,778,000 (2018 – \$13,286,000), 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 funds for county library purposes, which are remitted to LibraryCo. The fund balance at December 31, 2019 was \$189,000 (2018 – \$131,000).

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

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process. At December 31, 2019, the balance was \$76,000 (2018 – \$47,000).

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects. The balance at December 31, 2019 was \$934,000 (2018 – \$567,000).

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. At December 31, 2019, the Fund balance was \$56,000 (2018 – \$144,000).



### 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.

#### ***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 equity pooled funds. Transaction costs are expensed as incurred. The carrying value 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. There has been no change in risk exposures from the previous period.

#### ***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 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 \$99,091,000 (2018 – \$100,697,000). 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 \$11,967,000 (2018 – \$12,416,000). 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 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, insurance premiums and other revenues receivable are recorded as accounts receivable on the balance sheet, net of any required 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 share 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 share 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 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 1.95% (2018 – 2.4%).

### ***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 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 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, 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:

	<b>2019</b>	2018
LAWPRO	<b>35,642,000</b>	35,642,000
LibraryCo	<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 lawyers professional liability insurance, LAWPRO also sells optional excess lawyers professional liability and title insurance.

The investment in LAWPRO comprises:

(\$000s)	<b>2019</b>	2018
30,000 common shares of par value of \$100 each	<b>3,000</b>	3,000
20,000 6% non-cumulative, redeemable, non-voting preferred shares of par value of \$100 each	<b>2,000</b>	2,000
Investment in LAWPRO shares	<b>5,000</b>	5,000
Contributed capital	<b>30,642</b>	30,642
Total investment	<b>35,642</b>	35,642

Summarized balance sheet of LAWPRO:

(\$000s)	2019	2018
Total assets	<b>779,801</b>	733,903
Total liabilities	<b>508,500</b>	480,441
Total shareholders equity	<b>271,301</b>	253,462
Total liabilities and shareholders equity	<b>779,801</b>	733,903

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

(\$000s)	2019	2018
Revenue	<b>132,152</b>	129,112
Expenses	<b>125,821</b>	106,575
Income before taxes	<b>6,331</b>	22,537
Income tax expense	<b>1,483</b>	5,685
Net income	<b>4,848</b>	16,852
Other comprehensive income (loss) net of tax	<b>12,991</b>	(17,068)
Comprehensive income (loss)	<b>17,839</b>	(216)

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

(\$000s)	2019	2018
Net cash inflow from operating activities	<b>11,359</b>	10,323
Net cash outflow from investing activities	<b>(3,112)</b>	(20,287)
Net cash outflow from financing activities	<b>(411)</b>	–
Cash and cash equivalents, beginning of year	<b>10,281</b>	20,245
Cash and cash equivalents, end of year	<b>18,117</b>	10,281

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 \$102,772,000 (2018 – \$102,657,000) for premiums during the year. LAWPRO contributed \$523,000 primarily to a wellness program provided by the Society to its licensees (2018 – \$520,000). 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 \$7,354,000 (2018 – \$8,483,000). The amounts due to LAWPRO are non-interest bearing and have no fixed terms of repayment.

### **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 Federation of Ontario Law Associations (“FOLA”). The Society may appoint up to four directors, FOLA may appoint up to three directors and TLA may appoint one director.

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:

(\$000s)	2019	2018
Total assets	<b>1,067</b>	734
Total liabilities	<b>59</b>	25
Total share capital and fund balances	<b>1,008</b>	709
Total liabilities, share capital and fund balances	<b>1,067</b>	734

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

(\$000s)	2019	2018
Total revenue	<b>8,076</b>	7,913
Total expenses	<b>7,777</b>	7,976
Excess of revenues over expenses (expenses over revenues)	<b>299</b>	(63)

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

(\$000s)	2019	2018
Net cash inflow	<b>333</b>	357
Cash, beginning of year	<b>676</b>	319
Cash, end of year	<b>1,009</b>	676

The Society provided LibraryCo with a grant of \$8,100,000 (2018 – \$7,900,000) during the year. The Society provides administrative services to LibraryCo as well as certain other services and publications. The total amount billed by the Society for 2019 was \$32,000 (2018 – \$342,000). These transactions are entered in the ordinary course of business and are measured at fair value. Included in accounts receivables are amounts due from LibraryCo of \$6,000 (2018 – \$9,000).

In late 2019, a new structure that governs the delivery of library services and legal information to Ontario licensees was approved by the Society, FOLA and the TLA with LibraryCo Inc. to be renamed LIRN Inc. (Legal Information and Resource Network). LIRN Inc. will have an independent skills-based board of directors who will focus on the modernization of the delivery of legal information and library services.

## 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, 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 receivable are amounts due from the LSF of \$9,000 (2018 – due to of \$20,000).

## 6. Portfolio Investments

(\$000s)	2019	2018
Debt securities	44,519	42,124
Canadian equities	19,302	19,456
<b>Total portfolio investments</b>	<b>63,821</b>	<b>61,580</b>

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

	2019	2018
Effective interest rates (%)	1.7 – 3.7	2.0 – 4.0
Maturity dates (years)	1 – 8	1 – 9

## 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 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 in a full five years from the date of closing.

In 2019, the Society made an annual repayable capital payment of \$280,000 as the first of three annual balance of sale payments to the vendors of Lexum. As set out in Note 16, Commitments, this amount will be repeated in 2020 and 2021.

## 8. Capital Assets and Intangible Assets

Capital Assets (\$000s)	2019			2018
	Cost	Accumulated amortization	Net	Net
Land and buildings	25,395	24,376	1,019	1,569
Building and leasehold improvements	29,708	22,693	7,015	7,127
Furniture, equipment and computer hardware	3,900	3,283	617	331
<b>Total capital assets</b>	<b>59,003</b>	<b>50,352</b>	<b>8,651</b>	<b>9,027</b>

  

Intangible Assets (\$000s)	2019			2018
	Cost	Accumulated amortization	Net	Net
Computer applications and software	9,510	6,383	3,127	4,259
<b>Total intangible assets</b>	<b>9,510</b>	<b>6,383</b>	<b>3,127</b>	<b>4,259</b>

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

Included in accounts payable and accrued liabilities is \$642,000 in government remittances, primarily sales taxes (2018 – \$502,000).

The accounts receivable balance comprises:

(\$000s)	2019	2018
Accounts receivable	33,014	31,221
Allowance for doubtful accounts	21,047	18,805
<b>Accounts receivable – net</b>	<b>11,967</b>	<b>12,416</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 \$5,587,000 (2018 – \$5,390,000).

## **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 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, 2019, total funds held in trust amount to \$4,132,000 (2018 – \$4,058,000).

## **12. Other Revenues**

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

## **13. Other Expenses**

Included in Corporate Services expenses is a settlement of \$6,363,000 arising from litigation against the Society for which the Society is seeking recovery from its insurers. No amount is recorded for this potential recovery. Included in Convocation, policy and outreach expenses are payments for the remuneration of elected, ex-officio and lay benchers during the year of \$693,000 (2018 – \$711,000). The total expense reimbursements of the elected, ex-officio and lay benchers during the year was \$430,000 (2018 – \$515,000). The Treasurer's honorarium expense for the year was \$203,000 (2018 – \$197,000).

## **14. Interfund Transfers**

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

- \$2,265,000 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;
- \$1,200,000 from the E&O Fund to the lawyer General Fund as provided in the 2019 budget representing accumulated investment income, surplus to the needs of the E&O Fund;
- \$367,000 from the General Fund to the Special Projects Fund with funding transferred to fund continuation of the family legal services provider initiative, the next bencher election, the facilities condition assessment and the upgrade of the human resources payroll information system;
- \$131,000 from the General Fund to the Capital Allocation Fund capitalizing audio-visual equipment; and
- \$100,000 from the lawyer General Fund to the Repayable Allowance Fund, as provided in the 2019 budget to fund the Repayable Allowance Program in the Licensing Process.

## **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 2019 amounted to \$2,846,000 (2018 – \$2,734,000).

## 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:

2020	\$ 2,220,000
2021	\$ 2,348,000
2022	\$ 2,464,000
2023	\$ 2,580,000
2024	\$ 2,697,000
Thereafter	\$ 9,109,000
Total	<u>\$ 21,418,000</u>

In 2016, Convocation approved the Society's support for the Law Commission of Ontario's mandate for a third five-year period. The Society's contribution will be \$154,000 in 2020 and \$157,000 in 2021.

Pursuant to the loan arrangement described in Note 7, the Society is committed to pay \$280,000 annually for the 2020 and 2021 years to fund annual balance of sale payments to the vendors of Lexum.

## 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. Subsequent Event

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On March 17, 2020, the Province of Ontario declared a state of emergency. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The COVID-19 outbreak may negatively impact the timing and/or amount of the Society's future revenues; however the duration and overall impact is unknown at this time. The COVID-19 outbreak has led to expense reductions that are circumstantial to event cancellations and the shift from in-person to virtual meetings. The Society continues to explore other expense reduction strategies to further mitigate the potential decreases in revenues. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Society in future periods.

## 19. Schedule of Restricted Funds

A schedule of Restricted Funds is set out below.  
 Stated in thousands of dollars

	2019							2018	
	Compensation Funds 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>	11,762	651	54,572	4,144	13,286	131	758	85,304	78,375
<b>Revenues</b>									
Annual fees	9,603	91	–	4,420	–	8,116	100	22,330	24,822
Insurance premiums and levies	–	–	102,772	–	–	–	–	102,772	102,657
Investment income	877	111	459	–	–	–	–	1,447	1,310
Change in fair value of investments	724	131	617	–	–	–	–	1,472	(2,395)
Other	68	21	–	–	–	–	–	89	(74)
<b>Total revenues</b>	11,272	354	103,848	4,420	–	8,116	100	128,110	126,320
<b>Total expenses</b>	1,216	57	102,775	3,503	3,811	8,058	259	119,679	118,777
<b>Excess of revenues over expenses (expenses over revenues)</b>	10,056	297	1,073	917	(3,811)	58	(159)	8,431	7,543
<b>Interfund transfers (note 14)</b>	–	–	(1,200)	(2,134)	2,303	–	467	(564)	(614)
<b>Fund balances, end of year</b>	21,818	948	54,445	2,927	11,778	189	1,066	93,171	85,304



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de l'Ontario

**Law Society of Ontario**  
130 Queen Street West  
Toronto, ON M5H 2N6

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