

**Law Society of Saskatchewan**

**Financial Statements**

December 31, 2016

## Management's Responsibility for Financial Statements


The accompanying financial statements of the **Law Society of Saskatchewan** have been prepared by the Society's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Benchers have delegated certain responsibilities to the Audit Committee, including the responsibility for reviewing the annual financial statements and meeting with management, internal auditors and external auditors on matters relating to the financial reporting process and the Society's system of controls.

The Audit Committee has reviewed and recommended approval of these financial statements to the Benchers.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.

  
\_\_\_\_\_  
Tim Brown  
Executive Director

  
\_\_\_\_\_  
Ruth Armstrong  
Office Administrator/Accounting



## INDEPENDENT AUDITORS' REPORT

### To the Members, Law Society of Saskatchewan

We have audited the accompanying financial statements of Law Society of Saskatchewan which comprise the statements of financial position as at December 31, 2016 and the statements of operations and surplus and 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 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.

#### *Auditors' 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 of 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 assessments, the auditor considers internal control relevant to the Society'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 Society'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, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

April 28, 2017  
Regina, Saskatchewan

**VIRTUS GROUP LLP**  
Chartered Professional Accountants

**The Law Society of Saskatchewan**  
**Statement of Financial Position**  
**As of December 31, 2016**  
(with comparative figures for 2015)

	Consolidated General Fund	Special Fund	Consolidated Funds	
			2016	2015
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents (Note 4)	\$ 3,591,622	\$ 431,610	\$ 4,023,232	\$ 4,307,122
Accounts receivable	338,027	1,618	337,645	137,106
Receivable from SLIA (Note 8)	268,514	-	268,514	190,323
Receivable from Pro Bono Law Saskatchewan Inc.	184,598	-	184,598	128,369
Receivable from CLIA	44,474	-	44,474	-
Prepaid expenses	59,698	15,750	75,448	76,296
Inter-fund receivable (payable)	(223,444)	223,443	-	-
	4,261,489	672,421	4,933,911	4,839,216
<b>Investments (Note 5)</b>	5,597,786	2,848,070	8,445,856	7,965,287
<b>Tangible capital assets (Note 6)</b>	68,060	-	68,060	50,468
<b>Trust assets</b>	2,834	-	2,834	2,834
	\$ 9,930,169	\$ 3,520,491	\$ 13,450,661	\$ 12,857,805
<b>Liabilities and Members' Equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities - including government remittances of \$129,390 (2015 - \$124,163)	\$ 332,050	\$ 80	\$ 332,130	\$ 205,415
Annual fees received in advance	3,070,775	363,200	3,433,976	3,369,485
Deferred grant revenue	3,223	-	3,223	3,223
Claims Liability	-	95,000	95,000	14,145
	3,406,048	458,280	3,864,329	3,592,268
<b>Trust liabilities</b>	2,834	-	2,834	2,834
	3,408,882	458,280	3,867,163	3,595,102
<b>Members' Equity</b>				
<b>Unrestricted surplus</b>	6,521,287	3,062,211	9,583,498	9,262,703
	\$ 9,930,169	\$ 3,520,491	\$ 13,450,661	\$ 12,857,805
Unclaimed trust fund (Note 3)				
Commitments (Note 7)				

Approved by:

EMS Klusinger Bencher

H. P. H. Bencher

**The Law Society of Saskatchewan  
Statement of Operations and Surplus  
For the year ended December 31, 2016**

(with comparative figures for the year ended December 31, 2015)

	Consolidated General Fund (Schedule 1)	Special Fund	Consolidated Funds	
			2016	2015
<b>Revenues</b>				
Admission fees	\$ 73,300	\$ -	\$ 73,300	\$ 75,253
AG library grant	5,000	-	5,000	5,000
Annual fees	2,949,137	353,200	3,302,337	3,103,956
Copying and computer searches	19,596	-	19,596	22,192
CPD Revenue	450,503	-	450,503	443,044
CPLIED Revenue	209,563	-	209,563	244,309
Grant from SLIA (Note 8)	56,000	-	56,000	56,000
Investment income	333,724	152,860	486,584	834,037
Law Foundation grant	740,151	-	740,151	744,982
Legal publications	110,682	-	110,682	100,574
Management fees - Bar Course	56,810	-	56,810	25,602
Management fees - CPD	105,838	-	105,838	49,643
Management fees - Pro Bono Law Saskatchewan Inc.	39,993	-	39,993	70,000
Management fees - SLIA (Note 8)	136,925	-	136,925	119,988
Management fees - CLIA	68,844	-	68,844	-
Professional incorporations	127,700	-	127,700	79,300
Recovery of claims and legal expense	-	23,254	23,254	18,435
Sundry	62,711	-	62,711	43,518
Unrealized gain (loss) on investments	(122,629)	(83,271)	(205,900)	(312,733)
	<u>5,423,848</u>	<u>446,043</u>	<u>5,869,891</u>	<u>5,723,100</u>
<b>Expenses</b>				
Amortization	58,626	-	58,626	71,172
Annual meeting	-	-	-	311
Bar course and CPD	261,000	-	261,000	245,607
Benchers and President	317,872	-	317,872	346,015
Books and reference material	416,179	-	416,179	427,246
Claims incurred	-	90,003	90,003	2,366
Copier	7,649	-	7,649	7,250
Distribution	27,624	-	27,624	37,425
Grants and subscriptions	91,514	-	91,514	126,834
Insurance	40,348	96,470	136,818	91,418
Management fees & expenses	162,648	-	162,648	75,245
Materials and supplies	33,549	-	33,549	45,652
Membership information	4,483	-	4,483	17,587
Miscellaneous	84,419	7,667	92,086	83,921
Office and equipment rentals	229,927	-	229,927	218,306
Payment transaction fees	92,570	-	92,570	86,442
Professional services	395,630	1,021	396,651	382,173
Salaries	2,780,707	276,903	3,057,610	2,775,739
Seminars and courses	4,719	-	4,719	5,235
Spot audit	-	2,040	2,040	1,262
Telephone and communications	31,757	-	31,757	31,672
Travel	10,085	-	10,085	10,071
Trustee fees	-	23,686	23,686	18,375
	<u>5,051,306</u>	<u>497,790</u>	<u>5,549,096</u>	<u>5,107,324</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>372,542</b>	<b>(51,747)</b>	<b>320,795</b>	<b>615,776</b>
<b>Surplus - Beginning of year</b>	<b>6,148,745</b>	<b>3,113,958</b>	<b>9,262,703</b>	<b>8,646,927</b>
<b>Surplus - End of year</b>	<b>\$ 6,521,287</b>	<b>\$ 3,062,211</b>	<b>\$ 9,583,498</b>	<b>\$ 9,262,703</b>

**The Law Society of Saskatchewan**  
**Statement of Cash Flows**  
**For the year ended December 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

	Consolidated Funds	
	2016	2015
<b>Cash provided by (used in) operating activities:</b>		
Excess of revenues over expenses	\$ 320,795	\$ 615,776
Items not involving cash:		
Amortization	58,626	71,172
Unrealized loss on investments	205,900	312,733
Gain on disposal of investments	(16,490)	(142,192)
	<u>568,831</u>	<u>857,489</u>
Non-cash operating working capital (Note 9)	(106,524)	(56,806)
	<u>462,307</u>	<u>800,683</u>
<b>Cash provided by (used in) investing activities:</b>		
Additions to investments	(1,239,787)	(1,854,555)
Proceeds on the disposal of investments	569,808	861,272
Additions to property and equipment	(76,218)	(10,329)
	<u>(746,197)</u>	<u>(1,003,612)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(283,890)	(202,929)
<b>Cash and cash equivalents - beginning of year</b>	4,307,122	4,510,051
<b>Cash and cash equivalents - end of year</b>	<u>\$ 4,023,232</u>	<u>\$ 4,307,122</u>

**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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**1. Governing statutes and nature of operations**

The Law Society of Saskatchewan ("the Society") is incorporated under *The Legal Profession Act, 1990*. The Society's principal functions include overseeing the education, admission and conduct of members practicing law in the Province of Saskatchewan.

**2. Summary of significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following policies:

**Financial instruments - recognition and measurement**

Financial assets and financial liabilities are recorded on the statement of financial position when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair value of financial assets and financial liabilities measured at fair value are recognized in excess of revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

**Fund accounting**

The Society uses accounting procedures in which a self-balancing group of accounts is provided for each accounting entity established by legal, contractual or voluntary action. The Society currently has the following funds:

**Consolidated General**

The Consolidated General Fund is used for general operations and administration of the Society.

**Special Fund**

The Special Fund was established by *The Legal Profession Act, 1990*, to compensate persons who suffer pecuniary loss as a result of misappropriation by members of the Society. The Benchers administer the fund and amounts are accrued based on estimates provided by the Society's legal counsel.

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**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

**2. Summary of significant accounting policies continued**

**Tangible capital assets**

Tangible capital assets are recorded in the Consolidated General Fund at cost, net of accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the assets at the following rates:

Computer equipment	3 years
Furniture and equipment	6 years
Leasehold improvements	10 years
Membership database	5 years
Miscellaneous capital items	5 years

**Revenue recognition**

The Society follows the deferral method of accounting for contributions. Annual fees are recognized in the year membership services are delivered. Annual fees received in advance are deferred and recognized in the applicable membership period. Investment revenues are recognized as they are earned. Other revenues are recognized as the related services are delivered.

**Income taxes**

The Society is exempt from income taxes under Section 149(1)(l) of *The Income Tax Act*.

**3. Unclaimed trust fund**

This fund was established by The Legal Profession Act, 1990, to allow members to distribute trust moneys to the Society in cases where they cannot locate the beneficiary. Interest earned on the amounts held by the fund is paid to the Law Foundation. At December 31, 2016, the Society had trust assets and liabilities relating to this fund in the amount of \$327,740 (2015 - \$276,161) under its administration. As these funds are held in trust on behalf of the beneficiaries, they are not recorded in these financial statements.

**4. Cash and cash equivalents**

Cash and cash equivalents include:

	<u>2016</u>	<u>2015</u>
Cash	\$ 3,067,367	\$ 3,141,818
Money Market Fund	955,865	1,165,304
	<u>\$ 4,023,232</u>	<u>\$ 4,307,122</u>

Money Market Fund consists of units in a pooled fund managed by Greystone Managed Investment Inc. The carrying value of the funds approximates fair value.



**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

**5. Investments**

	<u>2016</u>	<u>2015</u>
<b>Investments classified as held for trading:</b>		
Fixed Income Pooled Fund	\$ 5,413,487	\$ 4,885,438
Canadian Equity Pooled Fund	1,023,942	951,661
US Equity Pooled Fund	1,002,365	1,048,632
International Equity Fund	1,006,062	1,079,556
	<u>\$ 8,445,856</u>	<u>\$ 7,965,287</u>

Investments are recorded at fair market value. The above noted investments are managed by Greystone Managed Investments Inc.

**6. Tangible capital assets**

	<u>2016</u>		<u>2015</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment & software	\$ 367,216	\$ 350,915	\$ 16,301	\$ 8,550
Furniture and fixtures	235,650	229,055	6,595	9,679
Leasehold improvements	196,031	196,031	-	23,560
Membership database	155,064	155,064	-	758
Miscellaneous capital items	133,391	88,227	45,164	7,921
	<u>\$ 1,087,352</u>	<u>\$ 1,019,292</u>	<u>\$ 68,060</u>	<u>\$ 50,468</u>

**7. Commitments**

The Society has commitments for premises, equipment and services under agreements requiring aggregate minimum payments over the next five years as follows:

2017	\$ 247,631
2018	279,208
2019	239,481
2020	237,781
2021	237,781

**The Law Society of Saskatchewan  
Notes to the Financial Statements  
For the year ended December 31, 2016**

(with comparative figures for the year ended December 31, 2015)

**8. Related party transactions**

The Society provides a program of errors and omissions insurance for members. It has incorporated an independent non-profit corporation named Saskatchewan Lawyers' Insurance Association Inc. (SLIA) to participate in a reciprocal insurance exchange, named Canadian Lawyers' Insurance Association, pursuant to the terms of a subscriber agreement. The Society is the sole member of SLIA and appoints all board members. Transactions with SLIA are at arms length as a separate entity to preserve confidentiality, privilege and security of assets.

The Law Society is potentially liable for any shortage in the insurance program and for the assets or liabilities on windup. The reader can find more information in the audited financial statements of SLIA.

SLIA has not been consolidated in the Society's financial statements. Financial statements for SLIA as at June 30, 2016 and 2015 and for the years then ended, report the following:

	<u>2016</u>	<u>2015</u>
<b>Financial position</b>		
Total assets	\$ 22,450,892	\$ 23,089,050
Total liabilities	8,517,106	8,763,597
Total equity	13,933,786	14,325,453
	<u>\$ 22,450,892</u>	<u>\$ 23,089,050</u>
<b>Results of operations</b>		
Total revenues	\$ 2,024,245	\$ 4,121,005
Total expenses	2,415,912	3,055,141
Excess (deficiency) of revenues over expenses	<u>\$ (391,667)</u>	<u>\$ 1,065,864</u>
<b>Cash flows</b>		
Cash provided by (used in) operating activities	\$ 198,658	\$ 1,117,924
Cash provided by (used in) investing activities	(981,388)	(1,073,775)
Cash provided by (used in) financing activities	(177,367)	404,572
Increase (decrease) in cash	<u>\$ (960,097)</u>	<u>\$ 448,721</u>

During the year, the Society earned management fees of \$136,925 (2015 - \$119,988) for services to SLIA. Also, SLIA contributed \$56,000 (2015 - \$56,000) to the Society's libraries. Included in accounts receivable is a balance of \$356,980 (2015 - \$253,228) and included in accounts payable is a balance of \$88,467 (2015 - \$62,905) related to transactions with SLIA. All amounts due to or from SLIA represent transactions in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

**9. Non-cash operating working capital**

Details of net change in each element of working capital relating to operations excluding cash are as follows:

<b>(Increase) decrease in current assets:</b>	<b>2016</b>	<b>2015</b>
Accounts receivable	\$ (200,539)	\$ 66,413
Receivable from SLIA	(78,191)	(31,643)
Receivable from PBLs	(56,229)	(62,701)
Receivable from CLIA	(44,474)	-
Prepaid expenses	848	(69,715)
	<u>(378,585)</u>	<u>(97,646)</u>
<b>Increase (decrease) in current liabilities:</b>		
Accounts payable and accrued liabilities	126,715	(66,785)
Annual fees received in advance	64,491	224,075
Deferred grant revenue	-	(47,303)
Claims liability	80,855	(69,147)
	<u>272,061</u>	<u>40,840</u>
	<u>\$ (106,524)</u>	<u>\$ (56,806)</u>

**10. Financial risk management**

The Society has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant risks to which the Society is exposed to are:

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk on the accounts receivable from its members, however, does not have a significant exposure to any individual member or counterpart. The Society incurred insignificant bad debt expense during the past three years and its members are lawyers.

**Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society's exposure to liquidity risk is dependent on the receipt of funds from its operations and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Society's financial obligations.

**Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society's investments in equity securities expose the Society to market price risk as such investments are subject to price changes in the open market. The Society does not use any derivative financial instruments to alter the effects of this risk.

The Law Society of Saskatchewan  
 Schedule 1 - Schedule of Revenues and Expenses - Consolidated General Fund  
 For the year ended December 31, 2016  
 (with comparative figures for the year ended December 31, 2015)

	Administration Department	Library Department	CPLED Department	CPD Department	Lawyer Referral	Self Insurance Fund	2016	2015
<b>Revenues</b>								
Admission fees	\$ 73,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,300	\$ 75,253
AG library grant	-	5,000	-	-	-	-	5,000	5,000
Annual fees	2,949,137	-	-	-	-	-	2,949,137	2,829,076
Copying and computer searches	-	19,596	-	-	-	-	19,596	22,192
CPD Revenue	-	-	-	450,503	-	-	450,503	443,044
CPLED Revenue	-	-	209,563	-	-	-	209,563	244,309
Grant from SLIA (Note 8)	-	56,000	-	-	-	-	56,000	56,000
Investment income	333,724	-	-	-	-	-	333,724	579,899
Law Foundation grant	-	662,458	77,693	-	-	-	740,151	744,982
Legal publications	-	110,682	-	-	-	-	110,682	100,574
Management fees - Bar Course	56,810	-	-	-	-	-	56,810	25,602
Management fees - CPD	105,838	-	-	-	-	-	105,838	49,643
Management fees - PBLs	39,993	-	-	-	-	-	39,993	70,000
Management fees - SLIA (Note 8)	136,925	-	-	-	-	-	136,925	119,988
Management fees - CLIA	68,844	-	-	-	-	-	68,844	-
Professional incorporations	127,700	-	-	-	-	-	127,700	79,300
Sundry	59,669	42	3,000	-	-	-	62,711	43,518
Unrealized gain (loss) on investments	(122,629)	-	-	-	-	-	(122,629)	(218,631)
	<b>3,829,311</b>	<b>853,778</b>	<b>290,256</b>	<b>450,503</b>	<b>-</b>	<b>-</b>	<b>5,423,848</b>	<b>5,268,749</b>
<b>Expenses</b>								
Amortization	48,282	10,344	-	-	-	-	58,626	71,172
Annual meeting	-	-	-	-	-	-	-	311
Bar course and CPD	-	-	115,122	145,878	-	-	261,000	245,607
Benchers and President	236,225	72,246	780	8,621	-	-	317,872	346,015
Books and reference material	-	416,179	-	-	-	-	416,179	427,246
Copier	-	7,649	-	-	-	-	7,649	7,250
Distribution	23,911	3,713	-	-	-	-	27,624	37,425
Grants and subscriptions	56,514	35,000	-	-	-	-	91,514	126,834
Insurance	33,334	7,014	-	-	-	-	40,348	43,775
Management fees & expenses	-	-	56,810	105,838	-	-	162,648	75,245
Materials and supplies	31,311	2,238	-	-	-	-	33,549	45,652
Membership information	1,682	2,801	-	-	-	-	4,483	17,587
Miscellaneous	75,350	3,497	2,016	3,556	-	-	84,419	76,826
Office and equipment rentals	228,626	1,301	-	-	-	-	229,927	218,306
Payment transaction fees	92,570	-	-	-	-	-	92,570	86,442
Professional services	295,417	95,226	4,987	-	-	-	395,630	381,047
Salaries	1,828,688	583,208	139,618	229,193	-	-	2,780,707	2,564,099
Seminars and courses	-	4,719	-	-	-	-	4,719	5,235
Telephone and communications	16,172	15,345	-	240	-	-	31,757	31,672
Travel	-	10,085	-	-	-	-	10,085	10,071
	<b>2,968,082</b>	<b>1,270,565</b>	<b>319,333</b>	<b>493,326</b>	<b>-</b>	<b>-</b>	<b>5,051,306</b>	<b>4,817,817</b>
<b>Excess of revenues (expenses) for the year</b>	<b>\$ 861,229</b>	<b>\$ (416,787)</b>	<b>\$ (29,077)</b>	<b>\$ (42,823)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 372,542</b>	<b>\$ 450,932</b>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**

**REGINA, SASKATCHEWAN**

**FINANCIAL STATEMENTS  
JUNE 30, 2016**

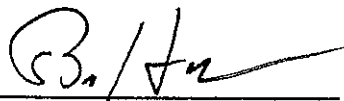
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **Saskatchewan Lawyers' Insurance Association Inc.** have been prepared by the Association's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Directors have reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.



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**Brad Hunter**  
Legal Counsel



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**Tim Brown**  
Legal Counsel



## INDEPENDENT AUDITORS' REPORT

To the Members

**Saskatchewan Lawyers' Insurance Association Inc.**

We have audited the accompanying financial statements of **Saskatchewan Lawyers' Insurance Association Inc.** which comprise the statement of financial position as at **June 30, 2016** and the statements of operations and members' equity and cash flows for the years 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 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.

### *Auditors' 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 of 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 assessments, the auditor considers internal control relevant to the Association'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 Association'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, these financial statements present fairly, in all material respects, the financial position of the Association as at **June 30, 2016** 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.

September 14, 2016

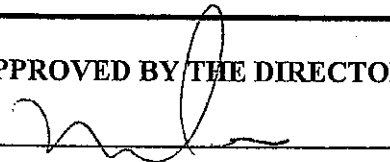
Regina, Saskatchewan

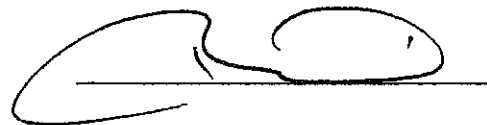
Chartered Professional Accountants

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2016**  
**(with comparative figures for 2015)**

ASSETS	2016	2015
Cash and short term investments (Note 3)	\$ 3,124,175	\$ 4,084,272
Property held for sale (Note 4)	69,500	69,500
Investments (Note 5)	17,617,659	17,598,759
Accounts receivable	537,531	408,537
Accrued interest receivable	230,332	218,168
Prepaid expenses	-	15,486
Due from The Law Society of Saskatchewan	868,305	317,310
Due from Canadian Lawyers' Insurance Association (Note 6)	3,390	377,018
	\$ 22,450,892	\$ 23,089,050
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 116,592	\$ 147,864
Government remittances payable	69,518	86,671
Annual premiums received in advance	1,998,720	2,368,860
Provision for unpaid claims and expenses (Note 7)	6,332,276	6,160,202
	8,517,106	8,763,597
<b>NET ASSETS</b>		
Members' equity	13,933,786	14,325,453
	\$ 22,450,892	\$ 23,089,050
<b>Commitment (Note 12)</b>		

**APPROVED BY THE DIRECTORS:**







**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(with comparative figures for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Annual premiums	\$ 2,467,559	\$ 2,430,175
Current year premiums paid to CLIA	(911,717)	(743,985)
Retroassessment credit received from CLIA (Note 6)	-	739,322
<b>Net premiums</b>	<u>1,555,842</u>	<u>2,425,512</u>
<b>Claims expense (Note 8)</b>		
Claims / indemnity	1,020,341	2,167,624
Counsel, legal, and adjuster fees	570,545	110,497
<b>Excess/(deficiency) of premiums over claims expense</b>	<u>(35,044)</u>	<u>147,391</u>
<b>Administrative expenses</b>		
Actuarial study	20,956	17,485
Committee meetings	4,523	7,194
LCL and library grants	75,236	91,827
Management fees (Note 9)	128,457	119,988
Miscellaneous	727	1,536
Office and general	65,235	25,857
Practice advisor	64,416	51,248
Professional services	84,783	85,432
Rent	6,000	6,000
Wages and benefits	374,693	370,453
	<u>825,026</u>	<u>777,020</u>
<b>Deficiency of revenues over expenses from operations</b>	<u>(860,070)</u>	<u>(629,629)</u>
<b>Other income (expenses)</b>		
Gain on disposal of investments	140,478	722,334
Unrealized loss on investments	(1,102,966)	(135,397)
Investment income	1,430,891	1,108,556
	<u>468,403</u>	<u>1,695,493</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>(391,667)</u>	<u>1,065,864</u>
<b>Members' equity - beginning of year</b>	<u>14,325,453</u>	<u>13,259,589</u>
<b>Members' equity - end of year</b>	<u>\$ 13,933,786</u>	<u>\$ 14,325,453</u>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(with comparative figures for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash provided by (used in) operating activities:</b>		
Excess (deficiency) of revenues over expenses	\$ (391,667)	\$ 1,065,864
Items not involving cash:		
- Gain on disposal of investments	(140,478)	(722,334)
- Decrease in provision for unpaid claims and expenses	172,074	(87,926)
- Unrealized losses on investments	1,102,966	135,397
	<u>742,895</u>	<u>391,001</u>
Non-cash operating balances (Note 10)	(544,237)	726,923
	<u>198,658</u>	<u>1,117,924</u>
<b>Cash provided by (used in) investing activities:</b>		
Additions to investments	(2,027,412)	(4,759,169)
Proceeds on disposal of investments	1,046,024	3,685,394
	<u>(981,388)</u>	<u>(1,073,775)</u>
<b>Cash provided by (used in) financing activities:</b>		
Decrease in due from Canadian Lawyers' Insurance Association	373,628	392,095
Increase in due from The Law Society of Saskatchewan	(550,995)	12,477
	<u>(177,367)</u>	<u>404,572</u>
<b>Increase (decrease) in cash</b>	<b>(960,097)</b>	<b>448,721</b>
<b>Cash position - beginning of year</b>	<b>4,084,272</b>	<b>3,635,551</b>
<b>Cash position - end of year</b>	<b>\$ 3,124,175</b>	<b>\$ 4,084,272</b>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(with comparative figures for the year ended June 30, 2015)**

**1. Nature of operations**

The Saskatchewan Lawyers' Insurance Association Inc. ("SLIA") is incorporated under *The Non-profit Corporations Act* of Saskatchewan. Its primary purpose is to provide professional liability insurance to the members of the Law Society of Saskatchewan. SLIA has been a member of the Canadian Lawyers' Insurance Association ("CLIA"), a reciprocal insurance exchange, since policy year 1988/89. Claims paid by SLIA are subject to a series of limits which are described below. Of these amounts \$5,000 to \$10,000 is recoverable from the insured member in the form of a deductible.

***SLIA's retention per claim:***

The maximum amount paid by SLIA is \$300,000 per claim for 2005-2016, \$200,000 per claim for 2000-2004 and \$100,000 per claim prior for 1999 and prior years.

***Insurer's retention per claim:***

Claims paid in excess of \$300,000 (1999 and prior - \$100,000) are covered by insurance to a maximum of \$1,000,000.

***Annual aggregate limit:***

Beginning in policy year 1997/98 an aggregate limit was introduced providing an annual cap on claims per insured of \$2,000,000.

***SLIA's retention per policy year:***

Commencing with policy year 1988/89, pursuant to a stop loss and management agreement, SLIA's aggregate payments shall not exceed 135% of expected losses during the year concerned, calculated exclusive of individual insured's deductibles, adjuster fees and Counsel fees. The stop loss amount for each year concerned is as follows:

<i>Year of Claim</i>	<i>Amount</i>	<i>Year of Claim</i>	<i>Amount</i>
2015/16	\$2,825,000	2001/02	\$2,050,000
2014/15	\$2,600,000	2000/01	2,150,000
2013/14	\$2,825,000	1999/00	2,250,000
2012/13	2,325,000	1998/99	1,900,000
2011/12	2,300,000	1997/98	1,800,000
2010/11	2,100,000	1996/97	1,650,000
2009/10	1,900,000	1995/96	1,550,000
2008/09	1,800,000	1994/95	1,600,000
2007/08	1,800,000	1993/94	1,400,000
2006/07	1,900,000	1992/93	1,300,000
2005/06	2,000,000	1991/92	1,150,000
2004/05	1,950,000	1990/91	1,200,000
2003/04	1,850,000	1989/90	900,000
2002/03	1,950,000	1988/89	900,000

Firms of the Law Society of Saskatchewan members may elect to purchase excess insurance coverage from CLIA. Premiums for this excess coverage are not reflected in these accounts.

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(with comparative figures for the year ended June 30, 2015)**

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**2. Summary of significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following policies:

**Financial instruments**

Financial assets and financial liabilities are recorded on the balance sheet when the becomes party to the contractual provisions of the financial instrument. The initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income. Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market.

**Revenue recognition**

Annual premiums received in advance are deferred and recognized as revenue over the applicable membership period.

**Income taxes**

SLIA is exempt from income taxes under Section 149(1)(l) of *The Income Tax Act*.

**Cash and short term investments**

The Association includes in cash and short term investments only highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in values.

**Provision for unpaid claims and expenses**

Provision for unpaid claims and expenses represents the estimated amount to settle all claims and expenses for counsel, administration, legal and adjusters' fees for claims reported to SLIA up to the end of the fiscal year.

The process of determining the provisions involves risks that the actual results will deviate, perhaps materially, from the best estimates made.

These provisions are continually reviewed with all changes in estimated claim amounts beings recorded as claims expense in the period in which the change in estimate is determined.

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(with comparative figures for the year ended June 30, 2015)

**2. Summary of significant accounting policies (continued)**

**CLIA retroassessments**

The insuring agreements between SLIA and CLIA allow for assigning certain retroassessments credits or levies each policy year. These retroassessments are accrued in full in the policy year in which they are declared by CLIA.

**Financial instruments**

Financial assets and financial liabilities are recorded on the balance sheet when the Association becomes party to the contractual provisions of the financial instrument. The Association initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Association subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income. Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market.

**3. Cash and short term investments**

	<u>2016</u>	<u>2015</u>
Cash	\$ 1,399,321	\$ 2,788,774
Money market funds	1,724,854	1,295,498
	<u>\$ 3,124,175</u>	<u>\$ 4,084,272</u>

Short term investments represent term deposits with TD Canada Trust. Money market funds represent funds managed by Greystone Managed Investments Inc. and TD Asset Management.

**4. Property held for sale**

	<u>2016</u>	<u>2015</u>
Real estate acquired in indemnity settlements	\$ 69,500	\$ 69,500
	<u>\$ 69,500</u>	<u>\$ 69,500</u>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(with comparative figures for the year ended June 30, 2015)

**5. Investments**

	<u>2016</u>	<u>2015</u>
Canadian equities	\$ 2,126,590	\$ 1,920,842
U.S. equities	1,949,796	2,142,581
Non-North American equities	2,062,036	2,168,939
Fixed income	11,479,237	11,366,397
	<u>\$ 17,617,659</u>	<u>\$ 17,598,759</u>

Canadian equities consist of units in a Canadian Equity Pooled Fund. U.S. equities consist of units in a U.S. Equity Pooled Fund. Non-North American equities consist of units in an International Equity Fund. The Association's fixed income investments consist of units in a pooled investment fund. All of these pooled funds are managed by Greystone Managed Investments Inc.

**6. Due to (from) Canadian Lawyers' Insurance Association**

The year end balance due to (from) the CLIA is comprised of the following:

	<u>2016</u>	<u>2015</u>
Excess insurance	\$ (3,390)	\$ 362,304
CLIA premium credit (Note 11)	-	(739,322)
	<u>\$ (3,390)</u>	<u>\$ (377,018)</u>

For fiscal 2016 there was no retroassessment credit from CLIA.

**7. Provision for unpaid claims and expenses**

As disclosed in Note 2, SLIA provides for unpaid claims and expenses based on claims reported to year end. File by file claims reserves based on current information on open and reported claims as of June 30, 2016 totaled \$6,332,276 (2015 - \$6,160,202).

SLIA engages an actuary to perform an annual actuarial valuation of its liabilities as of December 31 in order to provide recommendations with respect to the members' levy requirement for the subsequent policy year (commencing July 1). On the basis of historical claims development at SLIA, the actuarial valuation provides for future expected claims development that is not currently reflected in the existing case reserves of SLIA. As a result, the actuarial valuation will generally result in an estimate that is higher than the actual SLIA reserves. The valuation also takes into account past claims development experience and other actuarial considerations. The actuarial reserve required to settle all claims reported to December 31, 2015 was projected at \$8,563,000 on an undiscounted basis (\$7,890,000 discounted at 2.60%).

**8. Claims expenses**

Claims expenses consists of adjusters' fees, settlement costs and counsel and legal fees incurred in the year as well as the net change in the provision for unpaid claims and expenses.

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(with comparative figures for the year ended June 30, 2015)

**9. Related party transactions**

The Law Society of Saskatchewan (the "Society") is the sole member of SLIA and provides management services to SLIA for which it charged a fee of \$128,457 for the year (2015 - \$119,988). As at June 30, 2016 there was an amount owing from the Society of \$876,773 (2015 - \$317,310). These transactions are in the normal course of business and recorded at their exchange amounts which are based on amounts agreed upon between the related parties.

**10. Non-cash operating working capital**

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	<u>2016</u>	<u>2015</u>
<b>(Increase) decrease in current assets:</b>		
Accounts receivable	\$ (128,994)	\$ 380,637
Accrued interest receivable	(12,164)	8,799
Prepaid expenses	15,486	5,086
Assets held for sale	-	284,215
	(125,672)	678,737
<b>Increase (decrease) in current liabilities:</b>		
Accounts payable and accrued liabilities	(31,272)	14,877
Government remittances payable	(17,153)	3,669
Deferred revenue	(370,140)	29,640
	(418,565)	48,186
	\$ (544,237)	\$ 726,923

**11. Equity in Canadian Lawyers' Insurance Association (unaudited) and other contingencies**

**CLIA**

SLIA is a subscribing member of CLIA, a reciprocal insurance exchange through which the law societies of seven provinces and the three territories (or their associated liability insurance entities) enter into agreements of mutual indemnification. Separate reserves are maintained by CLIA with respect to risks assumed and SLIA has an interest in surpluses in these reserves. CLIA prepares annual Subscriber Accounts, as of the end of CLIA's fiscal year (December 31) which are approved by the CLIA Advisory Board. These accounts include a reserve for claims liabilities on a discounted basis. On that basis, the Subscribers Accounts of CLIA as of December 31, 2015 show SLIA's subscriber's equity to be \$1,959,760 (unaudited).

In 2002, a management policy was developed by CLIA requiring subscribing members to maintain a surplus in their subscriber account balances for all their claims liability. If the surplus falls below the minimum, a retro call will be established. If the surplus exceeds 25%, the member may withdraw the surplus. At December 31, 2015, SLIA had a subscriber account surplus in the amount of \$nil (2015 - \$739,322).

In accordance with the foregoing policy, SLIA did fully meet its calculated required subscriber equity balance of \$2,129,883.

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(with comparative figures for the year ended June 30, 2015)**

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**11. Equity in Canadian Lawyers' Insurance Association (unaudited) and other contingencies continued**

**Other contingencies**

In addition to the foregoing, SLIA has obtained assignments of assets and taken various forms of security in conjunction with settlement of claims in the ordinary course of business. Realization on these instruments is contingent on conditions that are beyond the control of SLIA. Accordingly, the potential value of these instruments is currently not determinable and they have not been reflected in these financial statements.

**12. Commitment**

There is a taxable assement on the real estate acquired in indemnity settlements requiring annual payments of \$7,934 over the next nine years.

**13. Financial risk management**

The Association has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Association is exposed are:

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is not exposed to significant credit risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is not exposed to significant interest rate risk.

**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association's investments expose the Association to market price risk.

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