

Law Society of Saskatchewan

Financial Statements

December 31, 2015

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.


Thomas J. Schonhoffer, Q.C.
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, 2015 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

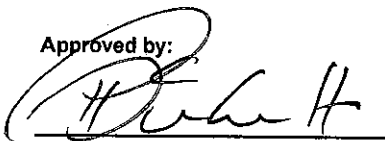
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

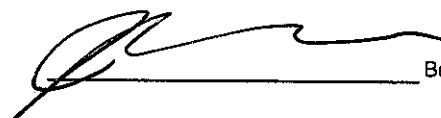
April 29, 2016
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants

The Law Society of Saskatchewan
Statement of Financial Position
As of December 31, 2015
(with comparative figures for 2014)

	Consolidated General Fund	Special Fund	Consolidated Funds 2015 2014	
Assets				
Current Assets				
Cash and cash equivalents (Note 4)	\$ 3,837,462	\$ 469,660	\$ 4,307,122	\$ 4,510,051
Accounts receivable	136,126	980	137,106	203,519
Receivable from SLIA (Note 8)	190,323	-	190,323	158,680
Receivable from Pro Bono Law Saskatchewan Inc.	128,369	-	128,369	65,668
Prepaid expenses	60,546	15,750	76,296	6,581
Inter-fund receivable (payable)	(297,620)	297,620	-	-
	4,055,206	784,010	4,839,216	4,944,499
Investments (Note 5)	5,266,228	2,699,059	7,965,287	7,142,545
Tangible capital assets (Note 6)	50,468	-	50,468	111,311
Trust assets	2,834	-	2,834	2,834
	\$ 9,374,736	\$ 3,483,069	\$ 12,857,805	\$ 12,201,189
Liabilities and Members' Equity				
Current liabilities				
Accounts payable and accrued liabilities	\$ 203,649	\$ 1,766	\$ 205,415	\$ 272,200
- including government remittances of \$124,163 (2014 - \$110,211)				
Annual fees received in advance	3,016,285	353,200	3,369,485	3,145,410
Deferred grant revenue	3,223	-	3,223	50,526
Claims Liability	-	14,145	14,145	83,292
	3,223,157	369,111	3,592,268	3,551,428
Trust liabilities	2,834	-	2,834	2,834
	3,225,991	369,111	3,595,102	3,554,262
Members' Equity				
Unrestricted surplus	6,148,745	3,113,958	9,262,703	8,646,927
	\$ 9,374,736	\$ 3,483,069	\$ 12,857,805	\$ 12,201,189
Unclaimed trust fund (Note 3)				
Commitments (Note 7)				

Approved by:  Bencher

 Bencher

The Law Society of Saskatchewan
Statement of Operations and Surplus
For the year ended December 31, 2015
(with comparative figures for the year ended December 31, 2014)

	Consolidated General Fund (Schedule 1)	Special Fund	Consolidated Funds	
			2015	2014
Revenues				
Admission fees	\$ 75,253	\$ -	\$ 75,253	\$ 71,130
AG library grant	5,000	-	5,000	5,000
Annual fees	2,829,076	274,880	3,103,956	3,052,747
Copying and computer searches	22,192	-	22,192	10,638
CPD Revenue	443,044	-	443,044	487,738
CPLED Revenue	244,309	-	244,309	234,761
Grant from SLIA (Note 8)	56,000	-	56,000	56,000
Investment income	579,899	254,138	834,037	715,094
Law Foundation grant	744,982	-	744,982	791,488
Legal publications	100,574	-	100,574	165,320
Management fees - Bar Course	25,602	-	25,602	16,963
Management fees - CPD	49,643	-	49,643	49,643
Management fees - Pro Bono Law Saskatchewan Inc.	70,000	-	70,000	62,340
Management fees - SLIA (Note 8)	119,988	-	119,988	119,988
Sundry	122,818	-	122,818	235,784
Recovery of claims and legal expense	-	18,435	18,435	5,208
Unrealized gain (loss) on investments	(219,631)	(93,102)	(312,733)	(8,586)
	<u>5,268,749</u>	<u>454,351</u>	<u>5,723,100</u>	<u>6,071,256</u>
Expenses				
Amortization	71,172	-	71,172	105,866
Annual meeting	311	-	311	2,231
Bar course and CPD	245,607	-	245,607	307,316
Benchers and President	346,015	-	346,015	360,060
Books and reference material	427,246	-	427,246	626,374
Claims incurred	-	2,366	2,366	83,292
Copier	7,250	-	7,250	6,753
Distribution	37,425	-	37,425	34,601
Grants and subscriptions	126,834	-	126,834	104,268
Insurance	43,775	47,643	91,418	184,426
Management fees & expenses	75,245	-	75,245	66,606
Materials and supplies	45,652	-	45,652	41,296
Membership information	17,587	-	17,587	37,268
Miscellaneous	163,268	7,095	170,363	169,410
Office and equipment rentals	218,306	-	218,306	234,081
Professional services	381,047	1,126	382,173	352,075
Salaries	2,564,099	211,640	2,775,739	2,606,810
Seminars and courses	5,235	-	5,235	5,361
Spot audit	-	1,262	1,262	2,265
Telephone and communications	31,672	-	31,672	29,229
Travel	10,071	-	10,071	13,410
Trustee fees	-	18,375	18,375	28,066
	<u>4,817,817</u>	<u>289,507</u>	<u>5,107,324</u>	<u>5,401,064</u>
Excess of revenues over expenses	450,932	164,844	615,776	670,192
Surplus - Beginning of year	5,697,813	2,949,114	8,646,927	7,976,735
Surplus - End of year	\$ 6,148,745	\$ 3,113,958	\$ 9,262,703	\$ 8,646,927

The Law Society of Saskatchewan
Statement of Cash Flows
For the year ended December 31, 2015
(with comparative figures for the year ended December 31, 2014)

	Consolidated Funds	
	2015	2014
Cash provided by (used in) operating activities:		
Excess of revenues over expenses	\$ 615,776	\$ 670,192
Items not involving cash:		
Amortization	71,172	105,866
Unrealized loss on investments	312,733	8,586
Gain on disposal of investments	(142,192)	(242,639)
	<u>857,489</u>	<u>542,005</u>
Non-cash operating working capital (Note 9)	(56,806)	210,328
	<u>800,683</u>	<u>752,333</u>
Cash provided by (used in) investing activities:		
Additions to investments	(1,854,555)	(1,389,567)
Proceeds on the disposal of investments	861,272	1,151,431
Additions to property and equipment	(10,329)	(18,546)
	<u>(1,003,612)</u>	<u>(256,682)</u>
Increase (decrease) in cash and cash equivalents	(202,929)	495,651
Cash and cash equivalents - beginning of year	<u>4,510,051</u>	<u>4,014,400</u>
Cash and cash equivalents - end of year	<u>\$ 4,307,122</u>	<u>\$ 4,510,051</u>

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2015
(with comparative figures for the year ended December 31, 2014)

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.

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2015
(with comparative figures for the year ended December 31, 2014)

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 recognizes revenue as earned and uses the deferral method to recognize contributions revenue. Annual fees received in advance are deferred and recognized as revenue over the applicable membership period. Grant revenue is recognized in the appropriate period when the funds are received.

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 pay 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, 2015, the Society had trust assets and liabilities relating to this fund in the amount of \$276,161 (2014 - \$284,534) under its administration. As these funds are held in trust on behalf of the beneficiary, they are not recorded in these financial statements.

4. Cash and cash equivalents

Cash and cash equivalents include:

	<u>2015</u>	<u>2014</u>
Cash	\$ 3,141,818	\$ 3,529,763
Money Market Fund	1,165,304	980,288
	<u>\$ 4,307,122</u>	<u>\$ 4,510,051</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 values.

**The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2015**

(with comparative figures for the year ended December 31, 2014)

5. Investments

	<u>2015</u>	<u>2014</u>
Investments classified as held for trading:		
Fixed Income Pooled Fund	\$ 4,885,438	\$ 4,416,676
Canadian Equity Pooled Fund	951,661	863,387
US Equity Pooled Fund	1,048,632	973,655
International Equity Fund	1,079,556	888,827
	<u>\$ 7,965,287</u>	<u>\$ 7,142,545</u>

The above noted investments are managed by Greystone Managed Investments Inc.

6. Tangible capital assets

	<u>2015</u>		<u>2014</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment & software	\$ 345,787	\$ 337,237	\$ 8,550	\$ 31,562
Furniture and fixtures	234,152	224,473	9,679	10,206
Leasehold improvements	196,031	172,471	23,560	47,229
Membership database	155,064	154,306	758	1,518
Miscellaneous capital items	80,098	72,177	7,921	20,796
	<u>\$ 1,011,132</u>	<u>\$ 960,664</u>	<u>\$ 50,468</u>	<u>\$ 111,311</u>

7. Commitments

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

2016	\$ 121,700
2017	103,100
2018	27,000

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2015
(with comparative figures for the year ended December 31, 2014)

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, 2015 and 2014 and for the years then ended report the following:

	<u>2015</u>	<u>2014</u>
Financial position		
Total assets	\$ 23,089,050	\$ 22,062,926
Total liabilities	8,763,597	8,803,337
Total equity	14,325,453	13,259,589
	<u>\$ 23,089,050</u>	<u>\$ 22,062,926</u>
	<u>2015</u>	<u>2014</u>
Results of operations		
Total revenues	\$ 4,121,005	\$ 4,260,876
Total expenses	3,055,141	2,456,605
Excess of revenues over expenses	<u>\$ 1,065,864</u>	<u>\$ 1,804,271</u>
Cash flows		
Cash provided by (used in) operating activities	\$ 1,117,924	\$ 532,134
Cash provided by (used in) investing activities	(1,073,775)	427,044
Cash provided by (used in) financing activities	404,572	(522,196)
Increase (decrease) in cash	<u>\$ 448,721</u>	<u>\$ 436,982</u>

During the year, the Society was paid management fees of \$119,988 (2014 - \$119,988) for services to SLIA. Also, SLIA contributed \$56,000 (2014 - \$56,000) to the Society's libraries. Included in accounts receivable is a balance of \$253,228 (2014 - \$178,969) and included in accounts payable is a balance of \$62,905 (2014 - \$20,289) 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, 2015
(with comparative figures for the year ended December 31, 2014)

9. Non-cash operating working capital

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

(Increase) decrease in current assets:	2015	2014
Accounts receivable	\$ 66,413	\$ (31,782)
Receivable from SLIA	(31,643)	19,126
Receivable from PBLs	(62,701)	25,335
Prepaid expenses	(69,715)	(1,000)
	<u>(97,646)</u>	<u>11,679</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(66,785)	63,818
Annual fees received in advance	224,075	53,872
Deferred grant revenue	(47,303)	(2,333)
Claims liability	(69,147)	83,292
	<u>40,840</u>	<u>198,649</u>
	<u>\$ (56,806)</u>	<u>\$ 210,328</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, 2015
 (with comparative figures for the year ended December 31, 2014)

	Administration Department	Library Department	CPLED Department	CPD Department	Lawyer Referral	Self Insurance Fund	2015	2014
Revenues								
Admission fees	\$ 75,253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,253	\$ 71,130
AG library grant	-	5,000	-	-	-	-	5,000	5,000
Annual fees	2,829,076	-	-	-	-	-	2,829,076	2,814,327
Copying and computer searches	-	22,192	-	-	-	-	22,192	10,638
CPD Revenue	-	-	-	443,044	-	-	443,044	487,738
CPLED Revenue	-	-	244,309	-	-	-	244,309	234,761
Grant from SLIA (Note 8)	-	56,000	-	-	-	-	56,000	56,000
Investment income	579,309	-	-	-	-	590	579,899	472,898
Law Foundation grant	-	684,183	60,799	-	-	-	744,982	791,488
Legal publications	-	100,574	-	-	-	-	100,574	165,320
Management fees - Bar Course	25,602	-	-	-	-	-	25,602	16,963
Management fees - CPD	49,643	-	-	-	-	-	49,643	49,643
Management fees - PBLs	70,000	-	-	-	-	-	70,000	62,340
Management fees - SLIA (Note 8)	119,988	-	-	-	-	-	119,988	119,988
Sundry	120,524	(106)	2,400	-	-	-	122,818	235,784
Unrealized gain (loss) on investments	(219,631)	-	-	-	-	-	(219,631)	(11,720)
	3,649,764	867,843	307,508	443,044	-	590	5,268,749	5,582,298
Expenses								
Amortization	67,254	3,918	-	-	-	-	71,172	105,866
Annual meeting	311	-	-	-	-	-	311	2,231
Bar course and CPD	-	-	117,329	128,278	-	-	245,607	307,316
Benchers and President	339,377	405	1,864	4,369	-	-	346,015	360,060
Books and reference material	-	427,246	-	-	-	-	427,246	626,374
Copier	-	7,250	-	-	-	-	7,250	6,753
Distribution	31,765	5,660	-	-	-	-	37,425	34,601
Grants and subscriptions	126,834	-	-	-	-	-	126,834	104,268
Insurance	36,829	6,946	-	-	-	-	43,775	42,394
Management fees & expenses	-	-	25,602	49,643	-	-	75,245	66,606
Materials and supplies	39,784	2,785	-	3,083	-	-	45,652	41,296
Membership information	1,197	2,786	13,604	-	-	-	17,587	37,268
Miscellaneous	147,955	6,988	6,002	2,323	-	-	163,268	164,434
Office and equipment rentals	215,806	1,587	913	-	-	-	218,306	234,081
Professional services	276,024	100,441	4,582	-	-	-	381,047	342,675
Salaries	1,596,107	556,465	206,642	204,885	-	-	2,564,099	2,416,965
Seminars and courses	-	5,235	-	-	-	-	5,235	5,361
Telephone and communications	15,631	15,321	240	480	-	-	31,672	29,229
Travel	-	10,071	-	-	-	-	10,071	13,410
	2,894,874	1,153,104	376,778	393,061	-	-	4,817,817	4,941,188
Excess of revenues (expenses) for the year	\$ 754,890	\$ (285,261)	\$ (69,270)	\$ 49,983	\$ -	\$ 590	\$ 450,932	\$ 641,110

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.

REGINA, SASKATCHEWAN

**FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

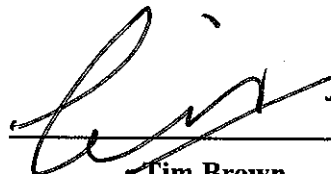
To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

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.



Brad Hunter
Legal Counsel



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, 2015** 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, 2015** 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 23, 2015
Regina, Saskatchewan

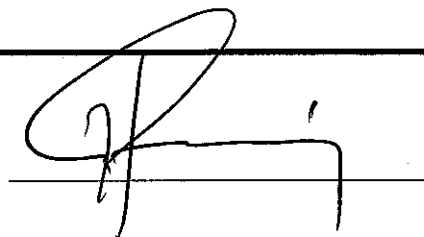
Virtus Group LLP
Chartered Professional Accountants

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2015
(with comparative figures for 2014)

ASSETS	2015	2014
Cash and short term investments (Note 3)	\$ 4,084,272	\$ 3,635,551
Property held for sale (Note 4)	69,500	353,715
Investments (Note 5)	17,598,759	15,938,047
Accounts receivable	408,537	789,174
Accrued interest receivable	218,168	226,967
Prepaid expenses	15,486	20,572
Due from The Law Society of Saskatchewan	317,310	329,787
Due from Canadian Lawyers' Insurance Association (Note 6)	377,018	769,113
	\$ 23,089,050	\$ 22,062,926
LIABILITIES		
Accounts payable and accrued liabilities	\$ 147,864	\$ 132,987
Government remittances payable	86,671	83,002
Annual premiums received in advance	2,368,860	2,339,220
Provision for unpaid claims and expenses (Note 7)	6,160,202	6,248,128
	8,763,597	8,803,337
NET ASSETS		
Members' equity	14,325,453	13,259,589
	\$ 23,089,050	\$ 22,062,926

Commitment (Note 12)

APPROVED BY THE DIRECTORS:

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative figures for the year ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Revenues		
Annual premiums	\$ 2,430,175	\$ 2,379,066
Current year premiums paid to CLIA	(743,985)	(1,045,515)
Retroassessment credit received from CLIA (Note 6)	739,322	1,140,742
Net premiums	<u>2,425,512</u>	<u>2,474,293</u>
Claims expense (recovery) (Note 8)		
Claims / indemnity	2,167,624	1,271,668
Counsel, legal, and adjuster fees	110,497	421,715
Excess of premiums over claims expense	<u>147,391</u>	<u>780,910</u>
Administrative expenses		
Actuarial study	17,485	17,285
Committee meetings	7,194	6,152
LCL and library grants	91,827	69,400
Management fees (Note 9)	119,988	119,988
Miscellaneous	1,536	343
Office and general	25,857	56,345
Practice advisor	51,248	42,997
Professional services	85,432	87,641
Rent	6,000	4,500
Wages and benefits	370,453	358,571
	<u>777,020</u>	<u>763,222</u>
Excess (deficiency) of revenues over expenses from operations	<u>(629,629)</u>	<u>17,688</u>
Other income (expenses)		
Gain on disposal of investments	722,334	272,139
Unrealized gain (loss) on investments	(135,397)	956,837
Investment income	1,108,556	557,607
	<u>1,695,493</u>	<u>1,786,583</u>
Excess of revenues over expenses	1,065,864	1,804,271
Members' equity - beginning of year	<u>13,259,589</u>	<u>11,455,318</u>
Members' equity - end of year	<u>\$ 14,325,453</u>	<u>\$ 13,259,589</u>

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative figures for the year ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash provided by (used in) operating activities:		
Excess of revenues over expenses	\$ 1,065,864	\$ 1,804,271
Items not involving cash:		
- Gain on disposal of investments	(722,334)	(272,139)
- (Decrease) increase in provision for unpaid claims and expenses	(87,926)	43,356
- Unrealized (gains) losses on investments	135,397	(956,837)
	<u>391,001</u>	<u>618,651</u>
Non-cash operating balances (Note 10)	726,923	(86,517)
	<u>1,117,924</u>	<u>532,134</u>
Cash provided by (used in) investing activities:		
Additions to investments	(4,759,169)	(1,298,282)
Proceeds on disposal of investments	3,685,394	1,725,326
	<u>(1,073,775)</u>	<u>427,044</u>
Cash provided by (used in) financing activities:		
Decrease (increase) in due from Canadian Lawyers' Insurance Association	392,095	(1,154,679)
Decrease in due from The Law Society of Saskatchewan	12,477	632,483
	<u>404,572</u>	<u>(522,196)</u>
Increase in cash	448,721	436,982
Cash position - beginning of year	<u>3,635,551</u>	<u>3,198,569</u>
Cash position - end of year	<u>\$ 4,084,272</u>	<u>\$ 3,635,551</u>

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative figures for the year ended June 30, 2014)

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 2005-2015, \$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>
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
2001/02	2,050,000		

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, 2015
(with comparative figures for the year ended June 30, 2014)

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:

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 being recorded as claims expense in the period in which the change in estimate is determined.

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.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative figures for the year ended June 30, 2014)

2. Summary of significant accounting policies (continued)

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 in equity 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>2015</u>	<u>2014</u>
Cash	\$ 2,788,774	\$ 2,214,993
Short term investments	-	255,909
Money market funds	1,295,498	1,164,650
	<u>\$ 4,084,272</u>	<u>\$ 3,635,552</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>2015</u>	<u>2014</u>
Real estate acquired in indemnity settlements	\$ 69,500	\$ 353,715
	<u>\$ 69,500</u>	<u>\$ 353,715</u>

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative figures for the year ended June 30, 2014)

5. Investments

	<u>2015</u>	<u>2014</u>
Canadian equities	\$ 1,920,842	\$ 1,738,283
U.S. equities	2,142,581	1,947,014
Non-North American equities	2,168,939	1,937,541
Fixed income	11,366,397	10,315,209
	<u>\$ 17,598,759</u>	<u>\$ 15,938,047</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>2015</u>	<u>2014</u>
Excess insurance	\$ 362,304	\$ 371,629
CLIA premium credit (Note 11)	(739,322)	(1,140,742)
	<u>\$ (377,018)</u>	<u>\$ (769,113)</u>

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, 2015 totaled \$6,160,202 (2014 - \$6,248,128).

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, 2014 was projected at \$7,897,000 on an undiscounted basis (\$7,813,000 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, 2015
(with comparative figures for the year ended June 30, 2014)

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 \$119,988 for the year (2014 - \$119,988). As at June 30, 2015 there was an amount owing from the Society of \$317,310 (2014 - \$329,787). 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>2015</u>	<u>2014</u>
(Increase) decrease in current assets:		
Accounts receivable	\$ 380,637	\$ 1,197,573
Accrued interest receivable	8,799	996
Prepaid expenses	5,086	(20,572)
Assets held for sale	284,215	(353,715)
	678,737	824,282
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	14,877	(949,231)
Government remittances payable	3,669	5,672
Deferred revenue	29,640	32,760
	48,186	(910,799)
	\$ 726,923	\$ (86,517)

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 7 provinces and the 3 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 Subscriber Accounts of CLIA as of December 31, 2014 show SLIA's subscriber's equity to be \$2,625,829 (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, 2014, SLIA had a subscriber account surplus in the amount of \$739,322 (2013 - \$1,140,742).

In accordance with the foregoing policy, SLIA did fully meet its calculated required subscriber equity balance of \$1,886,506.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(with comparative figures for the year ended June 30, 2014)

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

In July 2015, the Association received notice of a taxable assessment on the real estate acquired in the indemnity settlements requiring annual payments of \$7,934 over the next ten years commencing in fiscal 2016.

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.
