

The Law Society of Saskatchewan

Financial Statements

December 31, 2022



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 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.

A handwritten signature in blue ink, appearing to read 'Timothy J. Brown', written over a horizontal line.

Timothy J. Brown, Q.C.
Executive Director

A handwritten signature in black ink, appearing to read 'Pamela Harmon', written in a cursive style.

Pamela Harmon, CPA, CA
Director of Finance & CFO

April 28, 2023
Regina, Saskatchewan

INDEPENDENT AUDITORS' REPORT



**VIRTUS
GROUP**
Chartered Professional Accountants
& Business Advisors LLP

**To the Members,
The Law Society of Saskatchewan**

Opinion

We have audited the financial statements of The Law Society of Saskatchewan ("the Society"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

INDEPENDENT AUDITORS' REPORT continued

Auditors' 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 auditors' 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

April 28, 2023
Regina, Saskatchewan

VIRTUS GROUP LP
Chartered Professional Accountants

The Law Society of Saskatchewan
Statement of Financial Position
As at December 31, 2022
(with comparative figures for 2021)

	Consolidated General Fund	Legislatively Restricted Special Fund	Consolidated Funds	
			2022	2021
Assets				
Current Assets				
Cash and cash equivalents (Note 4)	\$ 4,295,255	\$ 11,232	\$ 4,306,487	\$ 3,888,069
Accounts receivable	274,954	51	275,005	284,830
Receivable from SLIA (Note 10)	114,267	-	114,267	209,238
Receivable from Pro Bono Law Saskatchewan Inc.	46,047	-	46,047	83,851
Inter-fund receivable (payable)	26,419	(26,419)	-	-
Prepaid expenses	212,564	101,293	313,857	260,499
	4,969,506	86,157	5,055,663	4,726,487
Investments (Note 5)	5,570,906	2,585,464	8,156,370	9,288,708
Tangible capital assets (Note 6)	311,871	-	311,871	409,283
Loans receivable (Note 7)	589,849	-	589,849	645,689
	\$ 11,442,132	\$ 2,671,621	\$ 14,113,753	\$ 15,070,167
Liabilities and Members' Equity				
Current liabilities				
Accounts payable and accrued liabilities - including government remittances of \$244,335	\$ 467,581	\$ 9,521	\$ 477,102	\$ 507,544
Annual fees received in advance	5,126,625	402,400	5,529,025	4,378,826
Claims Liability	-	3,000	3,000	-
	5,594,206	414,921	6,009,127	4,886,370
Members' equity				
Surplus (Note 8)	5,847,926	2,256,700	8,104,626	10,183,797
	\$ 11,442,132	\$ 2,671,621	\$ 14,113,753	\$ 15,070,167
Unclaimed trust fund (Note 3)				
Commitments (Note 9)				

Approved by the Board



President



Chair of the Audit Committee

The Law Society of Saskatchewan
Statement of Changes in Members' Equity
For the year ended December 31, 2022
(with comparative figures for 2021)

	Operating Fund	Capital Asset Fund	Strategic Initiatives & Opportunities Fund	Consolidated General Fund	Legislatively Restricted Special Fund	Consolidated Funds	
						2022	2021
Surplus - Beginning of year	\$ 6,115,294	\$ 750,000	\$ 468,504	\$ 7,333,798	\$ 2,849,999	\$ 10,183,797	\$ 10,688,476
Excess (deficiency) of revenues over expenses	(528,054)	(723,579)	(234,239)	(1,485,872)	(593,299)	(2,079,171)	(504,679)
Interfund transfers	(723,579)	723,579	-	-	-	-	-
Surplus - End of year	\$ 4,863,661	\$ 750,000	\$ 234,265	\$ 5,847,926	\$ 2,256,700	\$ 8,104,626	\$ 10,183,797
Restricted Surplus	\$ 1,710,000	\$ 750,000	\$ 234,265	\$ 2,694,265	\$ -	\$ 2,694,265	\$ 2,798,504
Unrestricted Surplus	3,153,661	-	-	3,153,661	2,256,700	5,410,361	7,385,293
	\$ 4,863,661	\$ 750,000	\$ 234,265	\$ 5,847,926	\$ 2,256,700	\$ 8,104,626	\$ 10,183,797

The Law Society of Saskatchewan
Statement of Operations
For the year ended December 31, 2022
(with comparative figures for 2021)

	Consolidated General Fund	Legislatively Restricted Special Fund	Consolidated Funds	
			2022	2021
Revenues				
Member Fees & Dues	\$ 4,662,371	\$ 197,800	\$ 4,860,171	\$ 4,740,369
Grants (Note 10)	706,750	-	706,750	709,000
Investment Income	28,286	55,843	84,129	559,974
Programs				
Continuing Professional Development	297,204	-	297,204	284,347
Professional Legal Education	-	-	-	-
Legal Resources	74,934	-	74,934	78,348
Management Fees	230,742	-	230,742	228,589
Fines, Penalties and Recoveries	55,236	-	55,236	57,447
Other Revenues	42,675	1,475	44,150	20,836
	<u>\$ 6,098,198</u>	<u>\$ 255,118</u>	<u>\$ 6,353,316</u>	<u>\$ 6,678,910</u>
Expenses				
Personnel	\$ 3,931,946	\$ 341,593	\$ 4,273,539	\$ 4,251,922
Programs				
Legal Resources	870,227	-	870,227	867,488
Professional Responsibility	247,510	-	247,510	265,469
Professional Legal Education	229,450	-	229,450	256,750
Trust Safety	-	203,272	203,272	188,542
Continuing Professional Development	82,254	-	82,254	54,847
Operations	621,147	3,570	624,717	548,566
Occupancy	281,821	-	281,821	271,276
Governance	364,699	-	364,699	211,214
Grants & Scholarships	65,340	-	65,340	64,800
Trusteeships	3,795	3,855	7,650	14,134
	<u>\$ 6,698,189</u>	<u>\$ 552,290</u>	<u>\$ 7,250,479</u>	<u>\$ 6,995,008</u>
(Deficiency) excess of revenues over expenses for the year before other items	<u>\$ (599,991)</u>	<u>\$ (297,172)</u>	<u>\$ (897,163)</u>	<u>\$ (316,098)</u>
Other items:				
Strategic Expenses	(234,239)	-	(234,239)	(244,105)
Unrealized Gain/(Loss) on Investments	(651,642)	(296,127)	(947,769)	55,524
(Deficiency) excess of revenues over expenses for the year	<u>\$ (1,485,872)</u>	<u>\$ (593,299)</u>	<u>\$ (2,079,171)</u>	<u>\$ (504,679)</u>

The Law Society of Saskatchewan
Statement of Cash Flows
For the year ended December 31, 2022
(with comparative figures for 2021)

	Consolidated Funds	
	2022	2021
Cash provided by (used in) operating activities:		
(Deficiency) excess of revenues over expenses	\$ (2,079,171)	\$ (504,679)
Items not involving cash:		
Amortization	208,211	202,188
Unrealized loss (gain) on investments	947,769	(55,524)
(Gain) loss on disposal of investments	320,828	(54,787)
	<u>(602,363)</u>	<u>(412,802)</u>
Non-cash operating working capital (Note 11)	1,211,999	(364,897)
	<u>609,636</u>	<u>(777,699)</u>
Cash provided by (used in) investing activities:		
Additions to investments	(6,708,286)	(992,184)
Proceeds on disposal of investments	6,572,027	942,851
Additions to property and equipment	(110,799)	(201,371)
Repayments (additions) to loans receivable	55,840	24,403
	<u>(191,218)</u>	<u>(226,301)</u>
Increase (decrease) in cash and cash equivalents	418,418	(1,004,000)
Cash and cash equivalents - beginning of year	3,888,069	4,892,069
Cash and cash equivalents - end of year	<u>\$ 4,306,487</u>	<u>\$ 3,888,069</u>

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2022
(with comparative figures for 2021)

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 in the public interest.

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 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 net of revenue over expense in the period.

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 Fund

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

Legislatively Restricted 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 Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2022
(with comparative figures for 2021)

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 & software	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 monies 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 of Saskatchewan. At December 31, 2022, the Society had trust assets and liabilities relating to this fund in the amount of \$209,155 (2021 - \$233,513) 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

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,306,487	\$ 3,358,929
Money Market Fund	-	529,140
	<u>\$ 4,306,487</u>	<u>\$ 3,888,069</u>

Money Market Fund consists of units in a pooled fund managed by TD Asset Management. 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, 2022
(with comparative figures for 2021)

5. Investments

	<u>2022</u>	<u>2021</u>
Fixed Income Pooled Fund	\$ 1,211,594	\$ 367,064
Canadian Equity Pooled Fund	-	1,062,187
US Equity Pooled Fund	-	1,133,216
International Equity Fund	-	1,009,018
Bond Plus Fund	2,006,411	5,717,223
Balanced Plus Fund	4,938,365	-
	<u>\$ 8,156,370</u>	<u>\$ 9,288,708</u>

6. Tangible capital assets

	<u>2022</u>		<u>2021</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment & software	\$ 863,381	\$ 788,383	\$ 74,998	\$ 124,946
Furniture and equipment	347,440	330,377	17,063	32,162
Leasehold improvements	125,721	74,927	50,794	63,366
Membership database	193,799	175,355	18,444	26,192
Miscellaneous capital items	470,809	320,237	150,572	162,617
	<u>\$ 2,001,150</u>	<u>\$ 1,689,279</u>	<u>\$ 311,871</u>	<u>\$ 409,283</u>

7. Loans receivable

The Society, with all the other Canadian law societies, contributed funds to the Canadian Legal Information Institute ("CanLII") as part of a subordinated syndicated loan and repayable capital investment to fund the purchase of Lexum Informatique Juridique Inc. ("Lexum"), a software company that operates online legal information delivery products, primarily for CanLII. The Society's share of the loan totalled \$43,674 and was paid February 2018. The Society's share of the repayable capital investment was paid in three annual installments of \$12,738 plus interest with the final contribution made February 2021 for a total contributed of \$38,215. Contributions earn interest at a rate of 4.74%, payable annually. The loan is a five year term with principal repayment scheduled for February 2023. The loan receivable is secured by a second position general security agreement on all assets of 9372-0035 Quebec Inc., a wholly-owned subsidiary of CanLII.

The Society lent funds of \$600,000 to Canadian Centre for Professional Legal Education for the update of the accreditation program. The loan receivable bears interest at 4% and the principal plus interest will be repaid in ten annual instalments of \$74,000 with the first annual instalment received June 30, 2021. Balance outstanding at December 31, 2022 was \$507,960, including \$9,960 accrued interest (2021 - \$563,800).

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2022
(with comparative figures for 2021)

8. Unrestricted surplus

In 2018, the Benchers approved the establishment of three internally restricted funds (prudent reserves) within the General Fund:

Operating fund

The operating reserve will be used to sustain financial operations for a reasonable period in the event of unanticipated and unbudgeted increases in operating expenses and/or losses in operating revenues. The target minimum operating reserve is three months of average budgeted operating costs.

Capital asset fund

The capital asset reserve will be used for the repair or acquisition of leaseholds, buildings, equipment and other infrastructure necessary for operations. The target amount of the reserve shall be set by the Benchers on an annual basis. In 2018, the Benchers approved an allocation of \$750,000 from unrestricted surplus to the capital asset reserve.

Strategic initiatives & opportunities fund

The strategic initiatives and opportunities reserve will be used for specific strategic initiatives or unexpected opportunities which may or may not have an expectation of incremental or long term increased income. The reserve will also be used to build organizational capacity such as staff development, research and development or investment in infrastructure that will build long term capacity.

9. Commitments

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

2023	\$ 1,066,654
2024	1,004,996
2025	915,811
2026	893,393
2027	410,381

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2022
(with comparative figures for 2021)

10. Related party transactions

The Society provides a program of errors and omissions insurance for members. It has incorporated a 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.

The 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, 2022 and 2021 and for the years then ended, report the following:

	<u>2022</u>	<u>2021</u>
Financial position		
Total assets	\$ 21,845,028	\$ 24,118,227
Total liabilities	8,949,175	7,483,710
Total equity	12,895,853	16,634,517
	<u>\$ 21,845,028</u>	<u>\$ 24,118,227</u>
	<u>2022</u>	<u>2021</u>
Results of operations		
Total revenues	\$ 2,466,942	\$ 2,276,554
Total expenses	6,205,606	2,312,456
(Deficiency) of revenues over expenses	<u>\$ (3,738,664)</u>	<u>\$ (35,902)</u>
Cash flows		
Cash (used in) provided by operating activities	\$ 706,301	\$ (346,139)
Cash (used in) investing activities	(874,575)	(278,553)
Cash (used in) provided by financing activities	338,400	49,188
(Decrease) in cash	<u>\$ 170,126</u>	<u>\$ (575,504)</u>

During the year, the Society earned management fees of \$213,342 (2021 - \$211,189) for services provided to SLIA and SLIA contributed \$56,000 (2021 - \$56,000) to the Society's libraries by way of an annual grant. Included in accounts receivable is a balance of \$114,267 (2021 - \$209,238) 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, 2022
(with comparative figures for 2021)

11. 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:	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 9,825	\$ (50,661)
Receivable from SLIA	94,971	(144,259)
Receivable from PBLs	37,804	(101,778)
Prepaid expenses	(53,358)	(86,842)
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	89,242	(383,540)
	<hr/>	<hr/>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(30,442)	(12,145)
Annual fees received in advance	1,150,199	30,788
Annual fees received in advance	3,000	-
	<hr/>	<hr/>
	1,122,757	18,643
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	\$ 1,211,999	\$ (364,897)
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12. 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 is also exposed to credit risk on its investments. This risk is mitigated by investing in pools managed by third parties and diversifying its portfolio.

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2022
(with comparative figures for 2021)

12. Financial risk management (continued)

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.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation in the current year.
