

# **The Law Society of Alberta**

Non-consolidated Financial Statements  
**December 31, 2023**



## Independent auditor's report

To the Benchers of The Law Society of Alberta

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### Our opinion

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of The Law Society of Alberta (the Law Society) as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### What we have audited

The Law Society's non-consolidated financial statements comprise:

- the non-consolidated balance sheet as at December 31, 2023;
- the non-consolidated statement of revenue, expenses and changes in fund balances for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the non-consolidated financial statements* section of our report.

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

#### Independence

We are independent of the Law Society in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the non-consolidated financial statements, management is responsible for assessing the Law Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Law Society or to cease operations, or has no realistic alternative but to do so.

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

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### **Auditor's responsibilities for the audit of the non-consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated 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 non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Law Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Law Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Law Society to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
April 25, 2024

# The Law Society of Alberta

## Non-consolidated Balance Sheet

As at December 31, 2023

	General Fund \$	Assurance Fund \$	Viscount Bennett Trust Fund \$	2023 \$	2022 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3,576,073	208,986	49,458	3,834,517	3,071,107
Current portion of loan receivable (note 4)	222,000	-	-	222,000	650,007
Accounts receivable	782,038	110	28	782,176	530,083
Interfund balances	628	304	(932)	-	-
Prepaid expenses	530,090	-	-	530,090	415,492
Accrued interest	79,750	-	-	79,750	83,505
Due from related parties (note 12)	37,046	-	-	37,046	6,014
	5,227,625	209,400	48,554	5,485,579	4,756,208
<b>Investments</b> (note 3)	19,222,552	7,292,910	1,932,043	28,447,505	26,191,052
<b>Loan Receivable</b> (note 4)	1,136,395	-	-	1,136,395	1,301,880
<b>Reinsurance recoverable</b> (note 7)	-	558,000	-	558,000	557,000
<b>Trust assets</b> (note 5)	1,353,332	-	-	1,353,332	1,590,773
<b>Capital assets</b> (note 6)	8,395,420	-	-	8,395,420	8,301,981
	<b>35,335,324</b>	<b>8,060,310</b>	<b>1,980,597</b>	<b>45,376,231</b>	<b>42,698,894</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Deferred revenue	6,852,050	-	-	6,852,050	6,292,958
Accounts payable and accrued liabilities	2,256,172	26,412	1,159	2,283,743	1,991,209
Interfund balances	-	-	-	-	-
	9,108,222	26,412	1,159	9,135,793	8,284,167
<b>Long-term liabilities</b>					
Reserve for claims and related costs (note 7)	-	4,152,000	-	4,152,000	4,316,000
Lease liability (note 10)	6,585,831	-	-	6,585,831	6,758,259
Trust liabilities (note 5)	1,353,332	-	-	1,353,332	1,590,773
Pension plan payable (note 9)	1,722,468	-	-	1,722,468	1,483,346
	9,661,631	4,152,000	-	13,813,631	14,148,378
	<b>18,769,853</b>	<b>4,178,412</b>	<b>1,159</b>	<b>22,949,424</b>	<b>22,432,545</b>
<b>Fund balances</b>					
Invested in capital assets	4,189,288	-	-	4,189,288	3,732,729
Restricted funds (note 8)	-	-	-	-	-
Contingency reserve – internally restricted	-	3,881,898	-	3,881,898	3,275,689
Scholarship reserve – externally restricted	-	-	1,979,438	1,979,438	1,878,729
Unrestricted funds	12,376,183	-	-	12,376,183	11,379,202
	16,565,471	3,881,898	1,979,438	22,426,807	20,266,349
	<b>35,335,324</b>	<b>8,060,310</b>	<b>1,980,597</b>	<b>45,376,231</b>	<b>42,698,894</b>
<b>Commitments</b> (note 11)					

### Approved by the Benchers

Deanna Steblyk, KC  
President

Jim Lutz, KC  
Chair of the Audit and Finance Committee

The accompanying notes are an integral part of the financial statements.

# The Law Society of Alberta

## Non-consolidated Statement of Revenue, Expenses and Changes in Fund Balances For the year ended December 31, 2023

	General Fund \$	Assurance Fund \$	Viscount Bennett Trust Fund \$	2023 \$	2022 \$
<b>Revenue</b>					
Practice fees	28,541,033	-	-	28,541,033	26,495,049
Management fee (note 12)	3,582,765	-	-	3,582,765	3,401,685
Investment income	963,279	340,861	107,296	1,411,436	993,991
Enrolment and application fees	1,149,100	-	-	1,149,100	774,240
Other	365,529	-	-	365,529	175,406
	<u>34,601,706</u>	<u>340,861</u>	<u>107,296</u>	<u>35,049,863</u>	<u>31,840,371</u>
<b>Expenses</b>					
Corporate costs					
Premises operating costs	1,858,362	-	-	1,858,362	1,839,464
Amortization	1,389,558	-	-	1,389,558	1,177,436
General corporate costs	53,394	45,615	5,276	104,285	462,784
Departmental costs					
Applications & Information Management	5,070,922	-	-	5,070,922	4,079,707
Counsel	2,506,806	-	-	2,506,806	2,098,783
Governance	2,080,663	-	-	2,080,663	1,848,666
Early Intervention	1,742,899	-	-	1,742,899	1,621,513
Conduct	1,576,651	-	-	1,576,651	1,452,088
Investigations	1,455,006	-	-	1,455,006	1,426,384
Membership	1,453,487	-	-	1,453,487	1,381,126
Trust Safety	1,318,169	-	-	1,318,169	1,300,179
Education	1,243,406	-	-	1,243,406	1,079,003
Accounting	1,165,368	-	-	1,165,368	1,053,436
Customer Service	1,032,235	-	-	1,032,235	1,014,268
Human Resources	840,191	-	-	840,191	990,670
Custodianship	807,236	-	-	807,236	726,394
Practice Advisors	765,031	-	-	765,031	717,303
Communications	734,831	-	-	734,831	711,037
Practice Management	731,023	-	-	731,023	682,468
Tribunal	700,209	-	-	700,209	661,377
Policy	565,545	-	-	565,545	552,041
External funding (note 13)	4,354,661	-	-	4,354,661	4,083,410
Provision for claims & related costs net (note 7)	-	(115,798)	-	(115,798)	(768,594)
Scholarships	-	-	60,000	60,000	60,000
	<u>33,445,653</u>	<u>(70,183)</u>	<u>65,276</u>	<u>33,440,746</u>	<u>30,250,943</u>
Excess of revenue over expenses for the year before other items	1,156,053	411,044	42,020	1,609,117	1,589,428
Other items:					
Unrealized (loss) gain on investments	523,651	279,165	58,689	861,505	(1,924,527)
Recovered costs	103,599	-	-	103,599	158,786
Interfund management fees	84,000	(84,000)	-	-	-
<b>Excess (deficiency) of revenue over expenses for the year</b>	<u>1,867,303</u>	<u>606,209</u>	<u>100,709</u>	<u>2,574,221</u>	<u>(176,313)</u>
<b>Fund balance – beginning of year</b>	15,111,931	3,275,689	1,878,729	20,266,349	19,885,782
Pension plan remeasurements and other items	(413,763)	-	-	(413,763)	556,880
<b>Fund balance – end of year</b>	<u>16,565,471</u>	<u>3,881,898</u>	<u>1,979,438</u>	<u>22,426,807</u>	<u>20,266,349</u>

The accompanying notes are an integral part of the financial statements.

# The Law Society of Alberta

## Non-consolidated Statement of Cash Flows

For the year ended December 31, 2023

	General Fund \$	Assurance Fund \$	Viscount Bennett Trust Fund \$	2023 \$	2022 \$
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Excess of revenue over expenses for the period	1,867,303	606,209	100,709	2,574,221	(176,313)
Items not affecting cash					
Amortization	1,389,558	-	-	1,389,558	1,177,436
(Gain) loss on sale of investments	10,206	(100,593)	(43,965)	(134,352)	(124,271)
Unrealized (gain) loss on investments	(523,651)	(279,165)	(58,689)	(861,505)	1,924,527
Provision for claims & related costs (note 7)	-	(115,798)	-	(115,798)	(768,594)
Deferred rent	190,692	-	-	190,692	230,796
	2,934,108	110,653	(1,945)	3,042,816	2,263,581
Change in non-cash working capital items	801,737	4,888	(18,877)	787,748	(385,217)
Claims and related costs paid – net of recoveries (note 7)	-	(49,202)	-	(49,202)	(812,406)
Pension plan remeasurements and other items	(413,763)	-	-	(413,763)	556,880
Decrease in pension plan payable	239,122	-	-	239,122	(586,770)
	3,561,204	66,339	(20,822)	3,606,721	1,036,068
<b>Investing activities</b>					
Proceeds on disposal of investments	15,897,215	823,903	233,017	16,954,135	23,252,753
Purchase of investments	(17,134,581)	(870,328)	(209,364)	(18,214,273)	(37,343,477)
Purchase of capital assets	(1,583,173)	-	-	(1,583,173)	(1,027,920)
	(2,820,539)	(46,425)	23,653	(2,843,311)	(15,118,644)
<b>Increase (Decrease) in cash and cash equivalents</b>	740,665	19,914	2,831	763,410	(14,082,576)
<b>Cash and cash equivalents – beginning of the year</b>	2,835,408	189,072	46,627	3,071,107	17,153,683
<b>Cash and cash equivalents – end of the year</b>	3,576,073	208,986	49,458	3,834,517	3,071,107
<b>Cash and cash equivalents comprised of:</b>					
Cash	784,628	54,595	30,630	869,853	604,609
Cash equivalents	2,791,445	154,391	18,828	2,964,664	2,466,498
	3,576,073	208,986	49,458	3,834,517	3,071,107
Interest received	865,460	155,023	40,813	1,061,296	641,104

The accompanying notes are an integral part of the financial statements.

# The Law Society of Alberta

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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## 1 General

The Law Society of Alberta (the Law Society) operates under the authority of the *Legal Profession Act*, Chapter L-8, Revised Statutes of Alberta 2000. The Law Society administers programs to promote a high standard of legal services and professional conduct through governance and regulation of an independent legal profession. The financial statements of the Law Society are prepared on a non-consolidated basis (refer to Note 11 Related Party Transactions).

## 2 Summary of significant accounting policies

### Basis of accounting

These financial statements are prepared in accordance with Canadian Accounting Standards for not for profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

### Use of estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

### Fund accounting

The Law Society has the following funds:

#### General Fund

The General Fund is an unrestricted fund which provides for the administration and governance of the Law Society's regulatory operations.

#### Assurance Fund

The Assurance Fund is a restricted fund maintained to reimburse, at the discretion of the Board, the principal amount of losses caused by a lawyer through the misappropriation or wrongful conversion of money or other property entrusted to or received by a lawyer in their professional capacity and in the course of the lawyer's legal practice.

Effective July 1, 2021 amendments to the Assurance Fund rules were approved by the Law Society's Benchers. For misappropriation of funds that occurred prior to July 1, 2014, a claimant may submit a claim to the Assurance Fund. For misappropriation of funds on or after July 1, 2014, but prior to July 1, 2021, a claimant may submit a claim to the Assurance Fund that are not fully satisfied under all available indemnity and the claimant has exhausted all litigation and collection remedies against the member. For misappropriation after July 1, 2021 a claimant may submit a claim to the Assurance Fund that are not fully satisfied under all available indemnity and the claimant has exhausted all litigation and collection remedies against the member. The maximum amount payable for any claim shall be limited to \$100,000 per claimant per member, \$250,000 annual aggregate per member, and \$500,000 annual aggregate for the profession.



# The Law Society of Alberta

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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## **Viscount Bennett Trust Fund**

The Viscount Bennett Trust Fund is a restricted fund, the principal of which was gifted to the Law Society by the Right Honourable Viscount Bennett. The income generated by this fund is to be used for scholarships for law graduates, students-at-law or lawyers ordinarily resident in Alberta to support post-graduate legal studies.

## **Financial Instruments**

The Law Society initially measures financial assets and financial liabilities at cost. It subsequently measures its investments at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable and accrued interest receivable. The financial liabilities subsequently recorded at amortized cost include accounts payable and accrued liabilities.

The Law Society's investments consist of equity securities, corporate bonds, and provincial and federal government bonds. The investments in equity securities which are traded on active markets are recorded at fair value. The Law Society has elected to record the investments in bonds at fair value. Changes in fair value of the investments are recorded on the statement of revenue, expenses and fund balances. The investments which are not traded on active markets are recorded at cost.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

## **Revenue recognition and deferred revenue**

The Law Society follows the deferral method for revenue recognition. The Law Society's membership year runs from March 15 to March 14 of the subsequent year. Amounts received or receivable from the practice fee that pertain to the membership period subsequent to the year-end are deferred and recognized as revenue in the next fiscal year.

Investment income earned on investments is recognized in the fund in which the investments are maintained.

## **Recoveries**

Recoveries from reinsurers and other third parties are recorded as income when they can be reasonably estimated and collectability is reasonably assured. Otherwise, the recovery is recorded when received.

## **Reserve and provision for claims and related costs**

The provision for claims and related costs in the Assurance Fund is based upon the change from year to year in the reinsurance recoverable and reserve for claims and related costs. The reserve value is based on the actuarially determined discounted cost of possible claims and related costs as at the end of the fiscal year.

The Law Society's actuary is engaged to provide an annual valuation of the reserve for claims and related costs for the Assurance Fund in accordance with the standards of practice adopted by the Canadian Institute of Actuaries. For the purpose of this actuarial valuation, the actuary made use of certain information contained in the Law Society's financial records.

# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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### Reinsurance recoverable

In the normal course of business, the Law Society seeks to limit exposure to losses on large trust account misappropriation claims by purchasing reinsurance. The amounts reported in the balance sheet include estimates of amounts expected to be recovered from reinsurers on incurred losses that have not yet been paid. The provision for claims and related costs has been disclosed on a gross basis with an offsetting asset reflecting the reinsurance recoverable.

### Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments that are highly liquid and are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

### Investment income

Investment income consists of interest, dividends, fund distributions, and gains and losses realized on the disposal of investments. Interest and dividends earned on investments are included as revenue on an accrual basis. The change in fair value of investments is recorded in the statement of revenue, expenses and fund balances as an unrealized gain (loss).

### Capital assets

Capital assets are recorded at cost net of accumulated amortization. Amortization is calculated on a straight-line basis at the following annual rates:

Furniture and equipment	10%
Computer	20%
Adjudicator training program	33-1/3%
Leasehold improvements	Over the lease term (15 years)

### Post-employment benefits

The Law Society maintains pension plans which provide defined benefit and defined contribution pension benefits. Pension costs and obligations for the defined benefit pension plans are determined using the projected benefit method and are charged to the statement of revenue, expense and change in fund balances based upon an actuarial valuation.

Pension plan assets of the registered pension plan (RPP) are measured at fair value and the expected return on pension plan assets is determined using market related values. The supplemental retirement plan (SRP) is an unfunded plan and does not hold any assets. The Law Society recognizes past service costs and actuarial gains and losses in the period they arise within re-measurements and other items. The Law Society measures the defined benefit obligation as of the balance sheet date using the most recently completed actuarial valuation prepared for accounting purposes.

### Income taxes

The Law Society meets the qualifications of a non-profit organization as defined in the *Income Tax Act* and, as such, is exempt from income taxes.

# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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### Donated services

A portion of the Law Society's work is dependent on the service of many volunteers, particularly the significant contribution of the Board and committees of the Board. These services are not normally purchased by the Law Society. Due to the difficulty in determining their fair value, donated services are not recognized in these financial statements.

### 3 Investments

The Law Society's investments are governed by a Statement of Investment Policies and Goals approved by the Board and managed under contract with an investment manager. The Law Society's investments are carried at fair market value, subject to normal market fluctuations, and the statement of revenue, expenses, and fund balances reports both realized and unrealized gains and losses on investments. The Law Society's investments consist of bonds, equity and real estate investments at December 31, 2023 as follows:

	2023 \$	2022 \$
<b>Bonds denominated in Canadian dollars:</b>		
Corporate	8,704,363	8,108,842
Provincial government	7,848,544	6,091,470
Federal government	4,582,354	5,477,000
T-Bills	6,716	19,339
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	21,141,978	19,696,651
<b>Equities denominated in Canadian dollars</b>	6,336,663	6,494,401
<b>Real estate denominated in Canadian dollars</b>	968,864	-
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	28,447,505	26,191,052
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### 4 Loans Receivable

The Law Society has agreed to participate with other Canadian law societies in a collective loan of \$2 million to the Canadian Legal Information Institute (CanLII), a wholly-owned subsidiary of the Federation of Law Societies of Canada. The loan is part of the financing for the purchase by CanLII of Lexum, a corporation providing support services to CanLII for the implementation of CanLII's legal information website. The Law Society's participation is \$0 (2022 - \$428,007) and includes interest earned. The loan has a five-year term with an annual interest rate of 4.74% compounded semi-annually and payable annually and was re-paid by CanLII in 2023.

The Law Society provided financial support totaling \$1.8 million over a three-year period from 2018 to 2020 to the Canadian Centre for Professional Legal Education (CPLED) to cover the start-up costs related to the implementation of the CPLED PREP program. The annual interest rate is 4% compounded annually and is included in the loan receivable balance of \$1,358,395 (2022 - \$1,523,880). The loan will be repaid in annual equal instalments over a ten-year period starting in 2021.

# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

### 5 Trust assets and liabilities

The *Legal Profession Act* provides that lawyers' trust funds, which cannot be disbursed to clients, must be forwarded to the Law Society. In 2023, approximately \$157,000 (2022 – \$270,300) was received. The Law Society holds the funds in trust for five years, refunds amounts to claimants as appropriate, and forwards any unclaimed funds, plus interest earned, less an administration fee to the Alberta Law Foundation. The administration fee is set at 2.5% of the principal and 10% of the income on the funds forwarded in each year. Amounts forwarded to the Alberta Law Foundation during the 2023 fiscal period totalled approximately \$374,600 (2022 – \$391,000).

The Law Society holds funds related to custodianship trust accounts. In 2023, the Law Society held trust funds in the amount of \$10,068 (2022 - \$12,700). Interest earned on these funds is paid to the Alberta Law Foundation.

### 6 Capital assets

			2023	2022
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Furniture and equipment	2,017,018	809,363	1,207,655	1,363,812
Computer	3,435,255	1,939,091	1,496,164	1,639,417
Leasehold improvements	6,068,107	1,581,941	4,486,166	4,741,340
Adjudicator training program	40,066	18,872	21,194	26,873
CPD and Articling Program	1,043,099	179,197	863,902	130,773
Transforming Us	330,184	9,845	320,339	399,766
	12,933,729	4,538,309	8,395,420	8,301,981

### 7 Reinsurance recoverable and reserve for claims and related costs

The change in the reinsurance recoverable is summarized as follows:

	2023	2022
	\$	\$
Reinsurance recoverable – beginning of period	557,000	600,000
Decrease due to claims experience	1,000	(43,000)
Reinsurance recoverable – end of period	558,000	557,000

The change in the reserve for claims and related costs is summarized as follows:

	2023	2022
	\$	\$
<b>Reserve for claims and related costs – beginning of period</b>	4,316,000	5,940,000
Claims paid	-	(728,896)
Related costs paid and accrued	(51,602)	(67,657)
Recoveries from members and third parties	2,400	(15,851)
	(49,202)	(812,404)

# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

(Decrease) due to claims experience	(114,798)	(811,594)
<b>Reserve for claims and related costs – end of period</b>	<b>4,152,000</b>	<b>4,316,000</b>
Case reserves (indemnity and external expenses)	1,317,000	1,322,000
Incurred but not reported claim reserve (indemnity and external expenses)	1,971,000	2,099,000
Provision for internal claim administration	181,000	185,000
Provision for adverse deviation	683,000	710,000
<b>Reserve for claims and related costs</b>	<b>4,152,000</b>	<b>4,316,000</b>

The portion of the reserve for claims and related costs expected to be paid within the next fiscal year cannot be reasonably determined and therefore has not been included in current liabilities.

In summary, the net exposure is summarized as follows:

	2023 \$	2022 \$
Reserve for claims and related costs – beginning of period	4,316,000	5,940,000
Reinsurance recoverable – beginning of period	(557,000)	(600,000)
Net exposure – beginning of period	3,759,000	5,340,000
Claims paid	-	(728,896)
Related costs paid and accrued	(51,602)	(67,657)
Recoveries from members and third parties	2,400	(15,851)
	3,709,798	4,527,594
Provision for claims and related costs	(115,798)	(768,594)
Net exposure – end of period	3,594,000	3,759,000
Reserve for claims and related costs – end of period	4,152,000	4,316,000
Reinsurance recoverable – end of period	(558,000)	(557,000)
Net exposure – end of period	3,594,000	3,759,000

The discount rate applied by the actuary at December 31, 2023 is 3.85% (2022 – 4.20%). The undiscounted reserve balance at December 31, 2023 is \$3.037 million (2022 – \$3.186 million).

Claims which occurred between November 1, 2001 and October 31, 2007 are insured by a \$10,000,000 indemnity bond with the Law Society retaining the first \$1,000,000 in claims losses. Claims which occurred between November 1, 2007 and June 30, 2014 are insured by an indemnity bond of \$10,000,000 with a \$1,500,000 retention.

# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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### 8 Restricted funds

#### Contingency reserve

The Contingency reserve is for future liabilities that may arise as a result of significant adverse claims experience. In the current period, revenue exceeded expenses by \$606,209 and this amount, therefore, was added to the reserve (2022 – expenses exceeded revenue by \$301,364).

#### Scholarship reserve

In the current period, revenue exceeded expenses by \$100,709 and this amount, therefore, was added to the reserve (2022 – revenue exceeded expenses by \$311,440).

### 9 Pension plan

	2023 \$	2022 \$
Registered pension plan accrued (asset)	(78,887)	(265,484)
Supplemental retirement plan accrued liability	1,801,355	1,748,830
	<u>1,722,468</u>	<u>1,483,346</u>

#### a) Registered pension plan

The Law Society provides a non-contributory defined benefit pension plan to eligible management employees based on earnings and years of service. The defined benefit pension plan was closed to management employees commencing employment after May 31, 2006.

As of December 31, 2023, and on advice of the actuary, the details of the pension plan are as follows:

	2023 \$	2022 \$
<b>Reconciliation of fair value of plan assets</b>		
Fair value of plan assets – beginning of period	3,734,868	4,406,430
Law Society contributions during period	-	34,600
Actual return on plan assets	341,769	(496,419)
Less benefits paid during period to retirees	(218,476)	(209,743)
<b>Fair value of plan assets – end of period</b>	<u>3,858,161</u>	<u>3,734,868</u>
<b>Reconciliation of the accrued benefit obligation</b>		
Accrued benefit obligation – beginning of period	3,469,384	4,303,698
Current service cost	49,709	67,821
Interest on accrued benefit obligation	170,943	120,633
Actuarial loss (gain) during period	116,617	(813,025)
Less benefits paid during period to retirees	(218,476)	(209,743)
Change in valuation allowance	191,097	-
<b>Accrued benefit obligations – end of period</b>	<u>3,588,177</u>	<u>3,469,384</u>

# The Law Society of Alberta

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

	2023 \$	2022 \$
<b>Plan surplus</b>	78,887	265,484
<b>Pension cost</b>		
Current service cost	49,709	67,821
Finance cost	(12,151)	(2,454)
Re-measurements and other items	149,039	(193,519)
<b>Pension cost recognized during period</b>	<u>186,597</u>	<u>(128,152)</u>
<b>Accrued benefit asset</b>		
Beginning balance – Accrued benefit liability	265,484	102,732
Plus contributions in the period	-	34,600
Less pension cost recognized during period	186,597	128,152
<b>Ending balance – Accrued benefit asset</b>	<u>78,887</u>	<u>265,484</u>

## Plan assets

The plan assets are invested in a balanced fund that consists of the following asset mix:

	2023	2022
Fixed income	31.3%	33.8%
Foreign equities	38.6%	40.8%
Canadian equity	16.8%	19.9%
Cash and cash equivalents	13.3%	5.5%
	<u>100%</u>	<u>100%</u>

## Assumptions

The actuary used the following rates in their calculations:

	2023	2022
Discount rate – beginning of period	5.05%	2.85%
Discount rate – end of period	4.65%	5.05%
Expected long-term rate of return on plan assets	4.65%	5.05%
Rate of compensation increase	3.50%	3.50%

## b) Supplemental Retirement Plan

The Law Society provides to eligible management employees a non-funded Supplemental Retirement Plan (SRP). The SRP is based on earnings and years of service and has been implemented to top-up the pension payments for those whose earnings are above the Canada Revenue Agency maximum. The SRP was closed to management employees commencing employment after May 31, 2006.

# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

	2023 \$	2022 \$
<b>Reconciliation of the accrued benefit obligation</b>		
Accrued benefit obligation – beginning of period	1,748,830	2,172,848
Current service cost	-	-
Interest on accrued benefit obligation	85,203	60,239
Actuarial loss (gain) during period	90,588	(365,857)
Less benefits paid during period for retirees	(123,266)	(118,400)
<b>Accrued benefit obligation – end of period</b>	<u>1,801,355</u>	<u>1,748,830</u>
<b>Pension cost</b>		
Current service cost	-	-
Interest cost on accrued benefit obligation	85,203	60,239
Net actuarial loss(gains)	90,588	(365,857)
<b>Pension cost (gain) recognized during period</b>	<u>175,791</u>	<u>(305,618)</u>
<b>Accrued benefit liability</b>		
Beginning balance – accrued benefit liability	(1,748,830)	(2,172,848)
Plus contributions in the period	123,266	118,400
Less pension cost recognized during period	(175,791)	305,618
<b>Ending balance – Accrued benefit liability</b>	<u>(1,801,355)</u>	<u>(1,748,830)</u>

## 10 Operating Lease

The Law Society has an operating lease for its premises for 15 years and 9 months effective November 7, 2019. Under the terms of the lease agreement, the minimum annual lease payment increases over the lease term. In addition, the lessor provided the Law Society with a tenant improvement allowance. This allowance is accounted for as a reduction of the lease expense over the term of the lease.

## 11 Commitments

The Law Society is committed to leased office space and equipment until 2035. In addition, the Law Society has annual funding commitments to related organizations. Future minimum lease payments and funding commitments are as follows:

	\$
2024	5,211,427
2025	3,734,370
2026	2,298,750
2027 and thereafter	19,884,271

## 12 Related party transactions

Alberta Lawyers Indemnity Association (formerly The Alberta Lawyers Insurance Association) (the Association) is a wholly-owned subsidiary of the Law Society. Share capital of \$20 consists of four common shares; three shares issued to the Law Society and one share issued to the person who holds the office of Executive Director of the Law Society, as bare trustee for the Law Society.



# The Law Society of Alberta

## Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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The Association administers a program under which active members of the Law Society in private practice (indemnified lawyers) have mandatory coverage for errors and omissions (or Professional Liability Insurance) of \$1,000,000 per occurrence, with an annual aggregate limit of \$2,000,000. Effective July 1, 2014, the Association also administers a program under which indemnified lawyers have mandatory coverage for misappropriation of money or other property entrusted to them (or Misappropriation Indemnity) of \$5,000,000 per occurrence, with a profession-wide annual aggregate limit of \$25,000,000.

The Law Society does not consolidate, in its financial statements, the results of the Association. A summary of the Association's financial information for the year ended June 30, 2023 is as follows:

	<b>June 30, 2023</b>	<b>Jan 1 to June 30, 2022</b>
	\$	\$
Assets	239,438,947	218,739,595
Liabilities	<u>(191,273,183)</u>	<u>(179,608,067)</u>
Net assets	<u>48,165,764</u>	<u>39,131,528</u>
Revenue	29,879,220	36,564,411
Expenses	<u>(29,083,116)</u>	<u>(26,620,924)</u>
<b>Excess of revenue over expenses before the following:</b>	796,104	9,943,487
Unrealized gain (loss) on fair market value of investments	<u>8,238,132</u>	<u>(38,361,284)</u>
<b>Excess of revenue over expenses</b>	<u>9,034,236</u>	<u>(28,417,797)</u>
Cash flows from operating activities	23,903,046	9,670,457
Cash flows utilised in investing activities	<u>(23,259,866)</u>	<u>(13,705,022)</u>
<b>Increase (Decrease) in cash and cash equivalents</b>	<u>643,180</u>	<u>(4,034,565)</u>

During the year, the Law Society received \$3,122,050 from the Association for management fees (2022 – \$2,969,885). As at December 31, 2023, \$37,046 was due from the Association (2022 – \$6,014) and is non-interest bearing and due on demand. These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

The elected Board of the Law Society include lawyers drawn from law firms across the province. These law firms may at times be engaged by the Law Society in the normal course of business. During the year, expenses of \$122,037 were incurred with these law firms (2022 - \$127,179). Board members are not involved in the retention of these firms.

### 13 External Funding

The Law Society provides external funding to organizations that support Alberta lawyers including: Alberta Law Libraries, Continuing Professional Legal Education (CPLED), Assist, Pro Bono Law Alberta, Federation of Law Society of Canada, CanLII, Legal Archives Society of Alberta, and Alberta Law Review. In 2023, total funding provided was \$4,354,660 (2022 - \$4,083,410).

# The Law Society of Alberta

Notes to Non-consolidated Financial Statements

For the year ended December 31, 2023

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## 14 Financial instruments

### Interest rate risk

The Law Society is exposed to interest rate risk on its investments. The Law Society manages the interest rate risk on bonds by engaging an investment manager who is guided by the Statement of Investment Policies and Goals designed to mitigate interest rate risk.

Included in investments are bonds in the amount of \$21,141,978 (2022 - \$19,696,601). The maturity dates and interest rates are as follows:

Maturity date from balance sheet date	December 31, 2023		December 31, 2022	
	Interest rate Range	Market value \$	Interest rate Range	Market value \$
Within five years	1.10-7.38%	14,925,771	0.50-5.30%	13,668,911
Greater than five years but less than ten years	1.50-5.85%	3,183,414	0.50-6.25%	2,688,645
Greater than ten years	1.75-5.80%	<u>3,032,793</u>	1.75-5.75%	<u>3,339,045</u>
		<u>21,141,978</u>		<u>19,696,601</u>

### Price risk

The investments of the Law Society are subject to price risk because changing interest rates impact the market value of the interest-bearing investments, general economic conditions affect the market value of equity investments and currency exchange rates impact the market value of the investments denominated in currencies other than the Canadian dollar. The risk is managed by engaging an investment manager for the long-term portfolio investments and by investing other funds in short term fixed rate securities with high credit ratings.

### Credit risk

The Law Society is not exposed to significant credit risk on any of its financial assets. The Law Society manages credit risk by maintaining bank accounts with reputable financial institutions and only investing in securities that are liquid, highly rated and traded in active markets. Accounts receivable are from lawyers and reputable, credit-worthy reinsurers.

### Liquidity risk

Liquidity risk is the risk that the Law Society will not be able to meet its financial obligations as they become due. The Law Society's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. The Law Society's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and investing activities.