



**The Law Society
of Manitoba**

INCORPORATED 1877 | INCORPORÉ EN 1877

Financial Statements
March 31, 2022

Independent Auditor's Report

To the Members of the Law Society of Manitoba

Opinion

We have audited the financial statements of the Law Society of Manitoba (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and changes in equity of the General Fund, Reimbursement Fund, Professional Liability Claims Fund, Education and Competence Fund, and Endowment and Trust funds and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Law Society of Manitoba as at March 31, 2022, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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.

Responsibilities of Management and Those Charged with Governance of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte LLP

Chartered Professional Accountants
June 23, 2022
Winnipeg, Manitoba

TABLE OF CONTENTS

	<u>Page</u>
Statement of Financial Position	1
Statement of General Fund Operations and Changes in Equity	2
Statement of Reimbursement Fund Operations and Changes in Equity	3
Statement of Professional Liability Claims Fund Operations and Changes in Equity	4
Statement of Education and Competence Fund Operations and Changes in Equity	5
Statement of Endowment and Trust Funds Operations and Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 17

THE LAW SOCIETY OF MANITOBA
Statement of Financial Position
As at March 31, 2022

	2022						2021 Total
	General Fund	Reimbursement Fund	Professional Liability Claims Fund	Education and Competence Fund	Endowment and Trust Funds	Total	
ASSETS							
Cash and term deposits	\$ 5,920,136	\$ -	\$ -	\$ -	\$ -	\$ 5,920,136	\$ 5,263,350
Funds held in trust	537,888	-	-	-	-	537,888	544,593
Accounts and accrued interest receivable	432,339	416	22,122	-	-	454,877	515,835
Due from The Manitoba Law Library Inc.	90,974	-	-	-	-	90,974	218,835
Prepaid expenses	69,220	61,270	72,031	4,620	-	207,141	376,235
Investments (Note 4)	-	460,760	24,517,089	-	5,000	24,982,849	25,008,927
Deferred charge - pension plan (Note 10)	7,784,248	-	-	-	-	7,784,248	8,398,527
Loans receivable	640,840	-	-	-	-	640,840	690,840
Capital assets (Note 5)	430,566	-	-	-	-	430,566	525,359
	\$ 15,906,211	\$ 522,446	\$ 24,611,242	\$ 4,620	\$ 5,000	\$ 41,049,519	\$ 41,542,501
LIABILITIES AND FUND EQUITY							
Accounts payable and accrued liabilities	\$ 877,520	\$ 16,283	\$ 46,150	\$ 17,018	\$ -	\$ 956,971	\$ 815,845
Funds held in trust	537,888	-	-	-	-	537,888	544,593
Fees and assessments paid in advance	2,448,574	597,038	682,199	241,230	-	3,969,041	3,769,270
Reserve for outstanding professional liability claims and associated costs (Note 7)	-	-	8,402,881	-	-	8,402,881	7,337,778
Deferred lease incentives (Note 6)	624,096	-	-	-	-	624,096	727,169
Due to (from) other funds	295,037	(2,030,659)	3,317,294	(1,578,469)	(3,203)	-	-
	4,783,115	(1,417,338)	12,448,524	(1,320,221)	(3,203)	14,490,877	13,194,655
COMMITMENTS (NOTE 12)							
FUND EQUITY							
General Fund	11,123,096	-	-	-	-	11,123,096	11,345,089
Reimbursement Fund (Note 8)	-	1,939,784	-	-	-	1,939,784	2,294,679
Professional Liability Claims Fund (Note 7)	-	-	12,162,718	-	-	12,162,718	12,884,824
Education and Competence Fund	-	-	-	1,324,841	-	1,324,841	1,815,051
Endowment and Trust Funds	-	-	-	-	-	-	-
Billinkoff Loan Fund	-	-	-	-	2,188	2,188	2,188
Crawford Scholarship and Prize Fund	-	-	-	-	6,015	6,015	6,015
	11,123,096	1,939,784	12,162,718	1,324,841	8,203	26,558,642	28,347,846
	\$ 15,906,211	\$ 522,446	\$ 24,611,242	\$ 4,620	\$ 5,000	\$ 41,049,519	\$ 41,542,501

ON BEHALF OF THE BENCHERS

THE LAW SOCIETY OF MANITOBA
Statement of General Fund Operations and Changes in Equity
For the year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Annual practicing fee	\$ 4,258,142	\$ 4,152,814
Call fee	92,200	13,200
Costs recovered	59,925	84,036
Grants	103,073	-
Investment income	27,579	30,881
Law corporation fees	91,100	80,750
Membership related fees	84,265	68,020
Processing fees	85,920	72,840
Other income	3,448	620
Section 51 income	47,184	16,940
Loss on disposal of capital assets	-	(65,500)
	4,852,836	4,454,601
EXPENSES		
Building operation and maintenance	38,591	36,357
Catering / functions	11,220	6,173
Custodial fees	59,602	59,685
Depreciation	12,712	13,299
Honoraria	27,200	28,650
Library grant	525,000	550,000
Office and sundry	43,366	48,478
Other grants and prizes	270,198	245,536
Other services	18,078	23,849
Professional development	13,941	8,170
Professional fees	172,647	165,097
Prosecution and investigation	10,872	25,165
Publications	12,288	14,018
Rent	476,003	462,050
Salaries and benefits	3,617,158	3,404,639
Service fees	6,140	6,901
Technology	35,202	46,398
Telecommunications	9,123	10,028
Travel	76,209	65,331
Recovery of administrative charges	(975,000)	(975,000)
	4,460,550	4,244,824
EXCESS OF REVENUE OVER EXPENSES	392,286	209,777
FUND EQUITY, BEGINNING OF YEAR	11,345,089	6,998,783
PENSION REMEASUREMENT	(614,279)	4,136,529
FUND EQUITY, END OF YEAR	\$ 11,123,096	\$ 11,345,089

THE LAW SOCIETY OF MANITOBA
Statement of Reimbursement Fund Operations
and Changes in Equity
For the year ended March 31, 2022

	2022	2021
REVENUE		
Annual assessments	\$ 1,262,456	\$ 1,230,684
Grant from Manitoba Law Foundation	178,901	653,957
Investment income	126	61,541
Other income	-	4,037
	1,441,483	1,950,219
EXPENSES		
Administrative expenses	300,000	300,000
Claims paid	454,787	826,491
Insurance	483,204	448,912
Miscellaneous	500	-
Professional development	4,928	6,001
Professional fees	1,837	1,794
Office and sundry	1,196	1,179
Prosecution and investigation	258	192
Salaries and benefits	544,290	562,866
Technology	240	5,014
Travel	5,138	4,831
	1,796,378	2,157,280
DEFICIENCY OF REVENUE OVER EXPENSES	(354,895)	(207,061)
FUND EQUITY, BEGINNING OF YEAR	2,294,679	2,501,740
FUND EQUITY, END OF YEAR	\$ 1,939,784	\$ 2,294,679

THE LAW SOCIETY OF MANITOBA
Statement of Professional Liability Claims Fund Operations
and Changes in Equity
For the year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Insurance premiums paid by members	\$ 2,667,180	\$ 2,670,368
CLIA surplus rebate	477,789	-
Investment income	7,428	3,267,093
	3,152,397	5,937,461
EXPENSES		
Administrative expenses	475,000	475,000
Claims paid (Note 9)	448,478	1,538,534
Counsel fees (Note 9)	649,065	803,434
Insurance	500,033	825,720
Office and sundry	3,353	3,460
Professional development	263	275
Professional fees	157,660	158,113
Salaries and benefits	573,688	605,555
Technology	1,860	2,474
	2,809,400	4,412,565
EXCESS OF REVENUE OVER EXPENSES		
BEFORE UNDERNOTED	342,997	1,524,896
INCREASE IN RESERVE FOR		
OUTSTANDING PROFESSIONAL LIABILITY CLAIMS	(1,065,103)	(144,917)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(722,106)	1,379,979
FUND EQUITY, BEGINNING OF YEAR	12,884,824	11,504,845
FUND EQUITY, END OF YEAR	\$ 12,162,718	\$ 12,884,824

THE LAW SOCIETY OF MANITOBA
Statement of Education and Competence Fund
Operations and Changes in Equity
For the year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Legal education assessment	\$ 384,221	\$ 374,766
Articling application	-	13,700
Call fee	-	66,000
PREP recovery	12,428	27,120
Legal education programs	352,960	383,554
Grant from Manitoba Law Foundation	178,901	653,957
Investment loss	-	(11,228)
Material sales	-	7,947
Other Income	1,325	10
	929,835	1,515,826
EXPENSES		
Administrative expenses	200,000	200,000
Call ceremony	-	2,602
Catering	-	215
Curriculum development	-	13,348
Honoraria	750	145
Miscellaneous	5	108
Office and sundry	7,631	7,462
PREP subsidy	347,750	279,500
Professional development	2,843	3,279
Professional fees	22,393	9,284
Publications	704	1,202
Salaries and benefits	820,683	966,685
Service fees	11,206	10,863
Technology	6,080	5,936
Telecommunications	-	39
	1,420,045	1,500,668
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(490,210)	15,158
FUND EQUITY, BEGINNING OF YEAR	1,815,051	1,799,893
FUND EQUITY, END OF YEAR	\$ 1,324,841	\$ 1,815,051

THE LAW SOCIETY OF MANITOBA
Statement of Endowment and Trust Funds Operations
and Changes in Equity
For the year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
FRANK BILLINKOFF LOAN FUND		
FUND EQUITY, BEGINNING OF YEAR	\$ 2,188	\$ 2,188
FUND EQUITY, END OF YEAR	\$ 2,188	\$ 2,188

MARGARET HYPATIA CRAWFORD SCHOLARSHIP AND PRIZE FUND

Investment income	\$ -	\$ 73
EXCESS OF REVENUE OVER EXPENSES	-	73
FUND EQUITY, BEGINNING OF YEAR	6,015	5,942
FUND EQUITY, END OF YEAR	\$ 6,015	\$ 6,015

THE LAW SOCIETY OF MANITOBA

Statement of Cash Flows

For the year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ 392,286	\$ 209,777
Reimbursement Fund	(354,895)	(207,061)
Professional Liability Claims Fund	(722,106)	1,379,979
General Education and Competence Fund	(490,210)	15,158
Endowment and Trust Funds	-	73
Items not affecting cash:		
Depreciation	12,712	13,299
Amortization of deferred rent incentive	(20,992)	(20,990)
Loss on the disposal of capital assets	-	65,500
Reserve for outstanding claims	1,065,103	144,917
Current year net investment income	26,078	(3,288,476)
Net change in non-cash working capital	748,810	1,402,435
	<u>656,786</u>	<u>(285,389)</u>
INVESTING ACTIVITY		
Sales of investments	-	1,000,000
INCREASE IN CASH AND TERM DEPOSITS		
	656,786	714,611
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	5,263,350	4,548,739
CASH AND TERM DEPOSITS, END OF YEAR	\$ 5,920,136	\$ 5,263,350

THE LAW SOCIETY OF MANITOBA

Notes to the Financial Statements

March 31, 2022

1. PURPOSE OF THE ORGANIZATION

The Law Society of Manitoba (the “Society”) is a not-for-profit organization incorporated by a special act of the Manitoba Legislature. Its purpose is to uphold and protect the public interest in the delivery of legal services with competence, integrity and independence.

2. NATURE OF FUND BALANCES

The Law Society of Manitoba follows the restricted fund method of accounting and has established separate special purpose funds for the administration of specific programs.

General Fund

The purpose of the General Fund is to account for the general operations of the Society, including all property and equipment owned by the Society. Subsection 2(2) of The Legal Profession Act provides that in pursuing its purpose and carrying out its duties, the Society has all the powers and capacity of a natural person.

Reimbursement Fund

The Reimbursement Fund is continued under subsection 46(1) of The Legal Profession Act. The purpose of the Reimbursement Fund is to compensate claimants who have sustained pecuniary losses because of a member’s or law corporation’s misappropriation or wrongful conversion of the claimant’s money or property.

Professional Liability Claims Fund

The Professional Liability Claims Fund is continued under subsection 45(2) of The Legal Profession Act. The purpose of the Claims Fund is to pay professional liability claims in accordance with the Act and the Law Society Rules.

Education and Competence Fund

The Education and Competence Fund was established for the purpose of regulating the admission of persons as students and their service under articles, providing instruction in law and regulating the call of persons to the Bar and the admission of solicitors. Subsection 3(2)(a) of The Legal Profession Act states that in pursuing its purpose, the Society must establish standards for the education, professional responsibility and competence of persons practicing or seeking the right to practice law in the province of Manitoba.

Endowment and Trust Funds

a) *Frank Billinkoff Loan Fund*

The Frank Billinkoff Loan Fund was established in 1957 by the late Frank Billinkoff as a revolving loan fund to be lent to deserving law students, without interest, to permit them to continue their studies in law.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

2. NATURE OF FUND BALANCES (continued)

Endowment and Trust Funds (continued)

b) *Margaret Hypatia Crawford Scholarship and Prize Fund*

The Crawford Scholarship is a scholarship to the student with the highest standing in the final year at the Faculty of Law, University of Manitoba, and also awards prizes to the students with the second, third and fourth highest standings in the final year.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies

a) *Revenue recognition*

Externally restricted contributions are deferred and recognized as revenue of the appropriate fund in the year which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the General Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund when earned.

b) *Capital assets*

Capital assets are recorded at cost less accumulated depreciation, with the exception of the library and lockers, which are recorded at a nominal value and are not being depreciated. Depreciation on other assets is provided on a straight-line basis using the following rates:

Computer equipment and software	3 years
Furniture and equipment	5 years
Leasehold Improvements	Term of the lease

c) *Assets held for sale*

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These assets, which would otherwise be subject to depreciation, are no longer being depreciated.

d) *Foreign currency translation*

All investments maintained in foreign currencies have been translated into Canadian dollars at the exchange rate in effect at March 31, 2022. Income from investments maintained in foreign currencies is translated at the month end spot rate for the month in which it is earned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Pension plan*

The cost of the Society's defined benefit pension plan is determined periodically by independent actuaries. The actuarial valuation is based on the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The Society recognizes:

- a) the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance on the balance sheet;
- b) the cost of the plan for the year; and
- c) remeasurements and other items directly in equity.

f) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when The Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments except investments are measured at amortized cost. Investments are measured at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in the statement of operations of the respective fund, an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations of the respective fund in the period the reversal occurs.

g) *Deferred lease incentives*

Deferred rent incentives represent net inducements received that are deferred and amortized on a straight line basis as a reduction of rent expense over the term of the lease. The leasehold improvement allowance represent inducements received to cover the purchase of capital assets and is amortized on the same basis as the underlying assets acquired and is recorded as a reduction of the related depreciation expense.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of certain revenues and expenses during the year. Key components of the financial statements requiring management to make estimates include the valuation of investments, accrued pension benefit asset and obligation, and the reserve for outstanding professional liability claims and associated costs at the date of the financial statements, the useful life of the leasehold improvements and the amortization rates of the deferred lease incentives. Actual results could differ from these estimates.

4. INVESTMENTS

Investments consist of certain guaranteed investments, stocks, and bonds, and are recorded at fair value. Certain of these investments and related earnings have been aggregated in one pool and are allocated amongst the funds. The year-end allocations are as follows:

	2022		2021	
Reimbursement Fund	\$ 460,760	1.84%	\$ 461,241	1.84%
Professional Liability Claims Fund	24,517,089	98.14%	24,542,686	98.14%
Education and Competence Fund	-	0.00%	-	0.00%
Endowment and Trust Funds	5,000	0.02%	5,000	0.02%
	\$24,982,849	100.00%	\$25,008,927	100.00%

The allocation of investments at year-end is as follows:

	2022		2021	
Equities				
Canadian	\$ 3,684,248		\$ 3,180,303	
Foreign	7,513,143		7,461,289	
Fixed income and pooled fixed income funds				
Canadian	12,939,651		12,681,696	
Short term investments				
Canadian	845,807		1,685,639	
	\$ 24,982,849		\$ 25,008,927	

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

5. CAPITAL ASSETS

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	\$ 409,321	\$ 404,024	\$ 5,297	\$ 27,188
Furniture and equipment	236,101	225,264	10,837	18,302
Library and lockers	2	-	2	2
Leasehold Improvements	658,853	244,423	414,430	479,867
	\$ 1,304,277	\$ 873,711	\$ 430,566	\$ 525,359

6. DEFERRED LEASE INCENTIVES

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Deferred rent incentive	\$ 209,919	\$ 76,970	\$ 132,949	\$ 153,941
Leasehold improvement allowance	727,169	236,022	491,147	573,228
	\$ 937,088	\$ 312,992	\$ 624,096	\$ 727,169

	2022	2021
Balance, beginning of year	\$ 727,169	\$ 857,781
Amounts allocated to expenditures	(103,073)	(130,612)
	\$ 624,096	\$ 727,169

7. PROFESSIONAL LIABILITY CLAIMS FUND CONTINGENT LIABILITY

The Society records claims of the Professional Liability Claims Fund by accruing a reserve for outstanding claims and associated costs at March 31, 2022. Management has set aside the sum of \$8,402,881 (2021 - \$7,337,778) as an offset against incurred liability reserves on reported claims. Investments with a market value of \$24,517,089 (2021 - \$24,542,686) are available to pay claims and expenses.

8. REIMBURSEMENT FUND CONTINGENT LIABILITY

Payment out of the fund is at the discretion of the governing body, the Reimbursement Fund Committee, or Society staff, within guidelines set by the governing body. Any claim payments which may occur will be accounted for in the year payment is approved.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

9. CLAIMS PAID AND COUNSEL FEES

The claims paid and counsel fees reported in the Statement of Professional Liability Claims Fund are reported net of amounts recovered. The gross amounts are as follows:

	<u>2022</u>	<u>2021</u>
Claims paid		
Total expenses	\$ 2,572,916	\$ 1,902,675
Recoveries	(2,124,438)	(364,141)
	<u>\$ 448,478</u>	<u>\$ 1,538,534</u>
	<u>2022</u>	<u>2021</u>
Counsel fees		
Total expenses	\$ 874,622	\$ 1,600,217
Recoveries	(225,557)	(796,783)
	<u>\$ 649,065</u>	<u>\$ 803,434</u>

10. PENSION PLAN

The Society has a defined benefit pension plan, which covers substantially all employees. Pension benefits are based on length of service and final average earnings, and are partially indexed for inflation after retirement.

The Society measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2021 and these financial statements reflect the extrapolation of information to March 31, 2022.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

10. PENSION PLAN (continued)

Information about the Society's defined benefit plans is as follows:

	<u>2022</u>	<u>2021</u>
Change in fair value of plan assets:		
Balance, beginning of year	\$ 31,390,486	\$ 25,519,195
Employer contributions	802,689	841,475
Employee contributions	263,935	277,990
Actual return on plan assets	547,605	5,215,778
Benefits paid	(575,135)	(463,952)
Fair value, end of year	\$ 32,429,580	\$ 31,390,486

Change in accrued benefit obligation:		
Balance, beginning of year	\$ 22,991,959	\$ 21,257,197
Current service cost	898,908	909,133
Interest cost on benefit obligation	1,149,598	1,062,860
Employee contributions	263,935	277,990
Benefits paid	(575,135)	(463,952)
Actuarial loss on accrued benefit obligation	(83,933)	(51,269)
Benefit obligation, end of year	\$ 24,645,332	\$ 22,991,959

Funded status:		
Market value of plan assets, end of year	\$ 32,429,580	\$ 31,390,486
Defined benefit obligation, end of year	(24,645,332)	(22,991,959)
Accrued benefit asset	\$ 7,784,248	\$ 8,398,527

	(Percentage of plan assets)	
	<u>2022</u>	<u>2021</u>
Canadian equities	23%	20%
Foreign equities	40%	43%
Fixed income	28%	31%
Short term investments	9%	6%
Total	100%	100%

	<u>2022</u>	<u>2021</u>
Defined benefit costs:		
Current service cost	\$ 898,908	\$ 909,133
Finance costs	(419,926)	(213,100)
Costs arising in the period	\$ 478,982	\$ 696,033

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

10. PENSION PLAN (continued)

The significant assumptions used are as follows (weighted average):

	<u>2022</u>	<u>2021</u>
At beginning of period		
Discount rate	5.00%	5.00%
Rate of compensation increase	4.50%	4.50%
Benefit costs for the year ended March 31		
Discount rate	5.00%	5.00%
Rate of compensation increase	4.50%	4.50%

11. FINANCIAL INSTRUMENTS

Market risk

Market risk is the risk of loss that results from fluctuations in equity prices, interest and exchange rates. The Society is exposed to market risk from its investing activities. The level of risk to which the Society is exposed varies depending on market conditions and the composition of the asset mix.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Society's cash flows, financial position, and income. This risk arises from differences in the timing and amount of cash flows related to the Society's assets and liabilities. The value of the Society's assets is affected by short-term changes in nominal interest rates and equity markets.

In accordance with the asset mix strategy, the Society has invested approximately 56% (2021 – 60%) of its investment assets in fixed income securities and 44% (2021 – 40%) in equities as at March 31, 2022. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. The effective interest rate earned by the Society on bonds and debentures for the current period ending March 31, 2022 was 6.71% (2021 – 5.60%).

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

11. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

The term to maturity and related market values of investments in short-term deposits, bonds and debentures, excluding any pooled fixed income funds, held by the Society at March 31, 2022 are as follows:

	2022		2021
	Market Value		Market Value
Less than one year	\$ -	\$	-
One to five years	549,128		568,564
Five to ten years	-		-
Greater than ten years	853,643		930,656
	\$ 1,402,771	\$	1,499,220

Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Society. At March 31, 2022 the Society's maximum credit risk exposure is equal to the market value of investments in short-term deposits, bonds and debentures. The Society's concentration of credit risk as at March 31, 2022 related to bonds and debentures is categorized among the following types of issuers.

	2022		2021
	Market Value		Market Value
<u>Type of Issuer</u>			
Government of Canada and			
Government of Canada guaranteed	\$ 377,329	\$	388,512
Provincial and Provincial guaranteed	356,226		389,292
Corporations	669,216		721,416
	\$ 1,402,771	\$	1,499,220

The Society limits interest rate risk and credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process that requires the weighted average credit rating of bonds held in the portfolio to be rated A or better.

Equity price risk

Equity price risk is the risk that the Society's financial instruments will fluctuate due to changes in market prices. The Society is exposed to equity price risk because of its investments held in equities. The objective of the Society's investment policy is to manage equity price risk through its asset mix parameters and maintaining a diversified portfolio.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2022

11. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

Foreign currency exposure arises from the Society's holdings of investments denominated in foreign currencies. As at March 31, 2022 the Society's foreign currency exposure was \$7,513,143 (2021 - \$7,461,289). The Society does not use derivative instruments to reduce its exposure to foreign currency risk.

12. COMMITMENTS

The Society has commitments for leased premises to July 2028 comprised of base rents plus a proportionate share of operating costs and management fees. The minimum aggregate lease payments over the next five years are as follows:

2023	\$570,501
2024	617,084
2025	647,755
2026	662,535
2027	677,906

As a subscriber to the Canadian Lawyers Insurance Association's (CLIA) Compensation Fund program, the Society is required to maintain a surplus/reserve account within a certain designated level. Due to the significant number of large claims paid, this surplus/reserve account became deficient and CLIA issued a retrospective assessment of \$1,716,927, payable over 5 years, resulting in an annual amount of \$260,438 due through to 2024.

13. COMPARATIVE FIGURES

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