



**The Law Society
of Manitoba**

INCORPORATED 1877 | INCORPORÉ EN 1877

Financial Statements
March 31, 2023



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, 2023, 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, 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 ("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 22, 2023

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, 2023

	2023						2022 Total
	General Fund	Reimbursement Fund	Professional Liability Claims Fund	Education and Competence Fund	Endowment and Trust Funds	Total	
ASSETS							
Cash and term deposits	\$ 5,651,165	\$ -	\$ -	\$ -	\$ -	\$ 5,651,165	\$ 5,920,136
Funds held in trust	550,492	-	-	-	-	550,492	537,888
Accounts and accrued interest receivable	457,220	548	29,166	-	-	486,934	454,877
Due from The Manitoba Law Library Inc.	9,121	-	-	-	-	9,121	90,974
Prepaid expenses	85,260	66,187	302,680	3,442	-	457,569	207,141
Investments (Note 4)	-	456,593	24,295,378	-	5,000	24,756,971	24,982,849
Deferred charge - pension plan (Note 10)	2,110,449	-	-	-	-	2,110,449	7,784,248
Loans receivable	588,840	-	-	-	-	588,840	640,840
Capital assets (Note 5)	399,811	-	-	-	-	399,811	430,566
	\$ 9,852,358	\$ 523,328	\$ 24,627,224	\$ 3,442	\$ 5,000	\$ 35,011,352	\$ 41,049,519
LIABILITIES AND FUND EQUITY							
Accounts payable and accrued liabilities	\$ 639,808	\$ 16,175	\$ 44,973	\$ 19,985	\$ -	\$ 720,941	\$ 956,971
Funds held in trust	550,492	-	-	-	-	550,492	537,888
Fees and assessments paid in advance	2,817,510	554,030	778,978	113,228	-	4,263,746	3,969,041
Reserve for outstanding professional liability claims and associated costs (Note 7)	-	-	8,083,433	-	-	8,083,433	8,402,881
Deferred lease incentives (Note 6)	530,202	-	-	-	-	530,202	624,096
Due to (from) other funds	(396,471)	(2,587,527)	4,496,548	(1,509,347)	(3,203)	-	-
	4,141,541	(2,017,322)	13,403,932	(1,376,134)	(3,203)	14,148,814	14,490,877
COMMITMENTS (NOTE 12)							
FUND EQUITY							
General Fund	5,710,817	-	-	-	-	5,710,817	11,123,096
Reimbursement Fund (Note 8)	-	2,540,650	-	-	-	2,540,650	1,939,784
Professional Liability Claims Fund (Note 7)	-	-	11,223,292	-	-	11,223,292	12,162,718
Education and Competence Fund	-	-	-	1,379,576	-	1,379,576	1,324,841
Endowment and Trust Funds							
Billinkoff Loan Fund	-	-	-	-	2,188	2,188	2,188
Crawford Scholarship and Prize Fund	-	-	-	-	6,015	6,015	6,015
	5,710,817	2,540,650	11,223,292	1,379,576	8,203	20,862,538	26,558,642
	\$ 9,852,358	\$ 523,328	\$ 24,627,224	\$ 3,442	\$ 5,000	\$ 35,011,352	\$ 41,049,519

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, 2023

	2023	2022
REVENUE		
Annual practicing fee	\$ 4,780,039	\$ 4,258,142
Call fee	95,800	92,200
Costs recovered	145,674	59,925
Grants	130,755	103,073
Investment income	114,917	27,579
Law corporation fees	89,650	91,100
Membership related fees	88,495	84,265
Processing fees	87,460	85,920
Other income	10,066	3,448
Section 51 income	40,923	47,184
	5,583,779	4,852,836
EXPENSES		
Building operation and maintenance	49,934	38,591
Catering / functions	60,289	11,220
Custodial fees	86,075	59,602
Depreciation	9,493	12,712
Honoraria	22,200	27,200
Library grant	525,000	525,000
Office and sundry	45,936	43,366
Other grants and prizes	258,081	270,198
Other services	8,468	18,078
PREP subsidy	293,150	-
Professional development	32,299	13,941
Professional fees	128,037	172,647
Prosecution and investigation	3,746	10,872
Publications	13,357	12,288
Rent	475,949	476,003
Salaries and benefits	3,995,437	3,617,158
Service fees	6,620	6,140
Technology	53,016	35,202
Telecommunications	7,488	9,123
Travel	122,684	76,209
Recovery of administrative charges	(875,000)	(975,000)
	5,322,259	4,460,550
EXCESS OF REVENUE OVER EXPENSES	261,520	392,286
FUND EQUITY, BEGINNING OF YEAR	11,123,096	11,345,089
PENSION REMEASUREMENT	(5,673,799)	(614,279)
FUND EQUITY, END OF YEAR	\$ 5,710,817	\$ 11,123,096

THE LAW SOCIETY OF MANITOBA
Statement of Reimbursement Fund Operations
and Changes in Equity
For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Annual assessments	\$ 1,203,866	\$ 1,262,456
Grant from Manitoba Law Foundation	203,471	178,901
Investment (loss) income	(3,367)	126
	1,403,970	1,441,483
EXPENSES		
Administrative expenses	300,000	300,000
Claims (recovered) paid	(559,027)	454,787
Insurance	499,257	483,204
Miscellaneous	77	500
Professional development	5,374	4,928
Professional fees	1,769	1,837
Office and sundry	1,224	1,196
Prosecution and investigation	30	258
Salaries and benefits	546,307	544,290
Technology	1,319	240
Travel	6,774	5,138
	803,104	1,796,378
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	600,866	(354,895)
FUND EQUITY, BEGINNING OF YEAR	1,939,784	2,294,679
FUND EQUITY, END OF YEAR	\$ 2,540,650	\$ 1,939,784

THE LAW SOCIETY OF MANITOBA
Statement of Professional Liability Claims Fund Operations
and Changes in Equity
For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Insurance premiums paid by members	\$ 2,926,820	\$ 2,667,180
CLIA surplus rebate	-	477,789
Investment (loss) income	(175,261)	7,428
	2,751,559	3,152,397
EXPENSES		
Administrative expenses	475,000	475,000
Claims paid (Note 9)	915,427	448,478
Counsel fees (Note 9)	673,018	649,065
Other grants	54,765	-
Insurance	1,021,248	500,033
Office and sundry	3,382	3,353
Professional development	349	263
Professional fees	157,105	157,660
Salaries and benefits	706,683	573,688
Technology	3,456	1,860
	4,010,433	2,809,400
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES BEFORE UNDERNOTED	(1,258,874)	342,997
DECREASE (INCREASE) IN RESERVE FOR OUTSTANDING PROFESSIONAL LIABILITY CLAIMS	319,448	(1,065,103)
(DEFICIENCY) OF REVENUE OVER EXPENSES	(939,426)	(722,106)
FUND EQUITY, BEGINNING OF YEAR	12,162,718	12,884,824
FUND EQUITY, END OF YEAR	\$ 11,223,292	\$ 12,162,718

THE LAW SOCIETY OF MANITOBA
Statement of Education and Competence Fund
Operations and Changes in Equity
For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Legal education assessment	\$ 390,178	\$ 384,221
PREP recovery	-	12,428
Legal education programs	371,424	352,960
Grant from Manitoba Law Foundation	203,471	178,901
Other Income	17,618	1,325
	982,691	929,835
EXPENSES		
Administrative expenses	100,000	200,000
Catering	2,843	-
Honoraria	-	750
Miscellaneous	-	5
Office and sundry	6,470	7,631
Other grants	4,000	-
PREP subsidy	-	347,750
Professional development	2,242	2,843
Professional fees	7,523	22,393
Publications	2,605	704
Rent	2,156	-
Salaries and benefits	778,135	820,683
Service fees	9,669	11,206
Technology	8,587	6,080
Travel	3,726	-
	927,956	1,420,045
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	54,735	(490,210)
FUND EQUITY, BEGINNING OF YEAR	1,324,841	1,815,051
FUND EQUITY, END OF YEAR	\$ 1,379,576	\$ 1,324,841

THE LAW SOCIETY OF MANITOBA
Statement of Endowment and Trust Funds Operations
and Changes in Equity
For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
FRANK BILLINKOFF LOAN FUND		
FUND EQUITY, BEGINNING OF YEAR	\$ 2,188	\$ 2,188
FUND EQUITY, END OF YEAR	\$ 2,188	\$ 2,188

	<u>2023</u>	<u>2022</u>
MARGARET HYPATIA CRAWFORD SCHOLARSHIP AND PRIZE FUND		
FUND EQUITY, BEGINNING OF YEAR	\$ 6,015	\$ 6,015
FUND EQUITY, END OF YEAR	\$ 6,015	\$ 6,015

THE LAW SOCIETY OF MANITOBA

Statement of Cash Flows

For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ 261,520	\$ 392,286
Reimbursement Fund	600,866	(354,895)
Professional Liability Claims Fund	(939,426)	(722,106)
General Education and Competence Fund	54,735	(490,210)
Items not affecting cash:		
Depreciation	9,493	12,712
Amortization of deferred rent incentive	(20,992)	(20,992)
Reserve for outstanding claims	(319,448)	1,065,103
Current year net investment income	225,878	26,078
Net change in non-cash working capital	(89,957)	748,810
	<u>(217,331)</u>	<u>656,786</u>
INVESTING ACTIVITY		
Purchases of capital assets	(51,640)	-
(DECREASE) INCREASE IN CASH AND TERM DEPOSITS	(268,971)	656,786
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	5,920,136	5,263,350
CASH AND TERM DEPOSITS, END OF YEAR	\$ 5,651,165	\$ 5,920,136

THE LAW SOCIETY OF MANITOBA

Notes to the Financial Statements

March 31, 2023

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 supporting articling students and lawyers by providing the knowledge and skills for them to become competent and remain competent in the practice of law. 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, 2023

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, 2023. 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 originated or exchanged in arm's length transactions are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Society is in the capacity of management, are initially recognized at cost.

Subsequently, all financial instruments except investments are measured at amortized cost. Investments in listed shares and financial instruments are measured at fair value at the balance sheet date based on the latest closing price.

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.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

	2023		2022	
Reimbursement Fund	\$ 456,593	1.84%	\$ 460,760	1.84%
Professional Liability Claims Fund	24,295,378	98.14%	24,517,089	98.14%
Education and Competence Fund	-	0.00%	-	0.00%
Endowment and Trust Funds	5,000	0.02%	5,000	0.02%
	\$ 24,756,971	100.00%	\$ 24,982,849	100.00%

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2023

4. INVESTMENTS (continued)

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

	<u>2023</u>	<u>2022</u>
Equities		
Canadian	\$ 3,104,509	\$ 3,684,248
Foreign	7,139,423	7,513,143
Fixed income and pooled fixed income funds		
Canadian	12,163,613	12,939,651
Short term investments		
Canadian	2,349,426	845,807
	<u>\$ 24,756,971</u>	<u>\$ 24,982,849</u>

5. CAPITAL ASSETS

	<u>2023</u>			<u>2022</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	\$ 460,960	\$ 413,517	\$ 47,443	\$ 5,297
Furniture and equipment	236,101	232,729	3,372	10,837
Library and lockers	2	-	2	2
Leasehold Improvements	658,853	309,859	348,994	414,430
	<u>\$ 1,355,916</u>	<u>\$ 956,105</u>	<u>\$ 399,811</u>	<u>\$ 430,566</u>

6. DEFERRED LEASE INCENTIVES

	<u>2023</u>			<u>2022</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Deferred rent incentive	\$ 209,919	\$ 97,962	\$ 111,957	\$ 132,949
Leasehold improvement allowance	727,169	308,924	418,245	491,147
	<u>\$ 937,088</u>	<u>\$ 406,886</u>	<u>\$ 530,202</u>	<u>\$ 624,096</u>

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 624,096	\$ 727,169
Amounts allocated to expenditures	(93,894)	(103,073)
	<u>\$ 530,202</u>	<u>\$ 624,096</u>

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2023

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, 2023. Management has set aside the sum of \$8,083,433 (2022 - \$8,402,881) as an offset against incurred liability reserves on reported claims. Investments with a market value of \$24,295,378 (2022 - \$24,517,089) 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.

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>2023</u>	<u>2022</u>
Claims paid		
Total expenses	\$ 1,833,528	\$ 2,572,916
Recoveries	(918,101)	(2,124,438)
	<u>\$ 915,427</u>	<u>\$ 448,478</u>
	<u>2023</u>	<u>2022</u>
Counsel fees		
Total expenses	\$ 893,000	\$ 874,622
Recoveries	(219,982)	(225,557)
	<u>\$ 673,018</u>	<u>\$ 649,065</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, 2022 and these financial statements reflect the extrapolation of information to March 31, 2023.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2023

10. PENSION PLAN (continued)

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

	<u>2023</u>	<u>2022</u>
Change in fair value of plan assets:		
Balance, beginning of year	\$ 32,429,580	\$ 31,390,486
Employer contributions	865,761	802,689
Employee contributions	285,325	263,935
Actual return on plan assets	(343,983)	547,605
Benefits paid	(680,762)	(575,135)
Fair value, end of year	\$ 32,555,921	\$ 32,429,580

Change in accrued benefit obligation:		
Balance, beginning of year	\$ 24,645,332	\$ 22,991,959
Current service cost	846,464	898,908
Interest cost on benefit obligation	1,232,267	1,149,598
Employee contributions	285,325	263,935
Benefits paid	(680,762)	(575,135)
Actuarial loss (gain) on accrued benefit obligation	4,116,846	(83,933)
Benefit obligation, end of year	\$ 30,445,472	\$ 24,645,332

Funded status:		
Market value of plan assets, end of year	\$ 32,555,921	\$ 32,429,580
Defined benefit obligation, end of year	(30,445,472)	(24,645,332)
Accrued benefit asset	\$ 2,110,449	\$ 7,784,248

	(Percentage of plan assets)	
	<u>2023</u>	<u>2022</u>
Canadian equities	21%	23%
Foreign equities	40%	40%
Fixed income	30%	28%
Short term investments	9%	9%
Total	100%	100%

	<u>2023</u>	<u>2022</u>
Defined benefit costs:		
Current service cost	\$ 846,464	\$ 898,908
Finance costs	(389,212)	(419,926)
Costs arising in the period	\$ 457,252	\$ 478,982

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2023

10. PENSION PLAN (continued)

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

	<u>2023</u>	<u>2022</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	4.50%	5.00%
Rate of compensation increase	4.50%	4.50%

11. FINANCIAL INSTRUMENTS

The Society maintains a statement of investment policies and procedures which provides a frame work for the investments held by the Society and sets limits for investments to be held in cash and cash equivalents, fixed income and equity investments.

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 61% (2022 – 56%) of its investment assets in fixed income securities and 39% (2022 – 44%) in equities as at March 31, 2023. 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, 2023 was 3.14% (2022 – 2.17%).

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2023

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, 2023 are as follows:

	2023		2022
	Market Value		Market Value
Less than one year	\$ -	\$	-
One to five years	169,429		549,128
Five to ten years	-		-
Greater than ten years	766,975		853,643
	\$ 936,404	\$	1,402,771

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, 2023 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, 2023 related to bonds and debentures is categorized among the following types of issuers.

	2023		2022
<u>Type of Issuer</u>	Market Value		Market Value
Government of Canada and			
Government of Canada guaranteed	\$ -	\$	377,329
Provincial and Provincial guaranteed	321,252		356,226
Corporations	615,152		669,216
	\$ 936,404	\$	1,402,771

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, 2023

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, 2023 the Society's foreign currency exposure was \$7,139,423 (2022 - \$7,513,143). 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:

2024	\$604,575
2025	635,246
2026	650,026
2027	665,397
2028	681,383

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.