

The Law Society of Yukon

Financial Statements

December 31, 2017

The Law Society of Yukon

Financial Statements

December 31, 2017

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Management Responsibility Statement

The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and are considered by management to present fairly the financial position and results of operations.

Management is also responsible for implementing and maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that financial records are properly maintained to provide reliable information for the preparation of financial statements.

Management is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by management.

Crowe MacKay LLP, an independent firm of Chartered Professional Accountants, has been engaged to examine the financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the financial statements, follows.



Treasurer

APRIL 20, 2018
Date



Executive Director

April 23, 2018
Date



Independent Auditors' Report

To the Members of
The Law Society of Yukon

We have audited the following financial statements of The Law Society of Yukon as at December 31, 2017 and for the year then ended:

- Combined Statement of Operations
- Combined Statement of Changes in Net Assets
- Combined Statement of Financial Position
- General Fund Statement of Operations
- General Fund Statement of Changes in Fund Balances
- General Fund Statement of Financial Position
- Professional Liability Insurance Fund Statement of Operations and Changes in Fund Balance
- Professional Liability Insurance Fund Statement of Financial Position
- Special Fund Statement of Operations and Changes in Fund Balance
- Special Fund Statement of Financial Position
- Combined Statement of Cash Flows

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly in all material respects, the financial position of The Law Society of Yukon as at December 31, 2017 and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in cursive script that reads "Crowe MacKay LLP".

Whitehorse, Yukon
April 11, 2018

Chartered Professional Accountants

The Law Society of Yukon

Combined Statement of Operations

For the year ended December 31,

2017

2016

Revenue

Administration fees (CLIA)	\$ 3,600	\$ 3,400
Application fees	26,100	29,000
Certificate of permission	38,500	43,755
Certificate of standing	2,800	2,100
Continuing education	11,621	11,787
Gifts and Socials	3,402	2,140
Insurance - Excess	-	11,101
Insurance - Mandatory	149,599	146,836
Investment	93,114	90,076
Members assessments	30,100	28,195
Membership fees	375,832	358,795
Photocopier	917	1,018
Professional corporation fees	3,050	3,100
Travel recovery	13,487	14,976
	<hr/>	<hr/>
	\$ 752,122	\$ 746,279

The Law Society of Yukon

Combined Statement of Operations (con't)

For the year ended December 31,	2017	2016
Expenditures		
Administration fees	\$ 3,600	\$ 3,400
Advertising	702	-
Amortization	8,107	9,599
Bank charges	7	51
Claim management (ALIA)	520	1,038
Communication	16,640	15,315
Continuing education	16,049	8,875
Discipline	17,403	52,113
Gifts and socials	12,435	12,314
Grants and contributions	-	500
Grants - Law librarian	1,741	3,000
Insurance	1,363	1,338
Insurance - Special Fund	10,472	10,427
Insurance - Mandatory	141,113	151,575
Insurance - Excess	-	11,656
Lawyers Assistance Program	8,916	6,683
Licenses and dues	20,680	19,863
Meetings	4,192	5,988
Office	9,393	9,748
Photocopier	203	157
Professional fees	95,961	37,230
Rent	42,175	42,174
Telephone	4,810	4,746
Travel	30,214	29,437
Wages and benefits	154,823	147,955
	601,519	585,182
Excess of revenue over expenditures before other items	150,603	161,097
Gain on disposal of investments	15,496	-
Unrealized gain on investments	57,393	79,750
Excess of revenue over expenditures	\$ 223,492	\$ 240,847

The Law Society of Yukon

Combined Statement of Changes in Net Assets

For the year ended December 31,				2017	2016
	General Fund	Liability Insurance Fund	Special Fund	Total	Total
Fund balances, beginning of year	1,419,056	803,771	2,370,499	4,593,326	4,352,479
Excess of revenue over expenditures	66,985	23,416	133,091	223,492	240,847
Fund balances, end of year	\$ 1,486,041	\$ 827,187	\$ 2,503,590	\$ 4,816,818	\$ 4,593,326

The Law Society of Yukon

Combined Statement of Financial Position

As at December 31, 2017 2016

Assets

Current

Cash	\$ 875,483	\$ 822,170
Accounts receivable	613	2,076
Prepaid expenses	82,980	78,905
	959,076	903,151

Marketable securities (note 3)

3,937,602

3,771,600

Capital assets (note 4)

39,348

46,865

\$ 4,936,026

\$ 4,721,616

Liabilities

Current

Accounts payable and accrued liabilities (note 5)	\$ 29,648	\$ 17,980
Deferred revenue (note 6)	89,560	110,310
	119,208	128,290

Net Assets

General Fund	1,486,041	1,419,056
Liability Insurance Fund	827,187	803,771
Special Fund	2,503,590	2,370,499
Total Net Assets	4,816,818	4,593,326
Liabilities and Net Assets	\$ 4,936,026	\$ 4,721,616

Commitment (note 7)

Approved by the Society

 , Director

 , Director

The Law Society of Yukon

General Fund - Statement of Operations

For the year ended December 31,	Budget	2017	2016
Revenue			
Administration fees (CLIA)	\$ 3,400	\$ 3,600	\$ 3,400
Application fees	29,400	26,100	29,000
Certificate of permission	43,400	38,500	43,755
Certificate of standing	2,100	2,800	2,100
Continuing education	15,650	11,621	11,787
Gifts and socials	3,500	3,402	2,140
Interest	10,000	11,586	10,130
Membership fees	371,950	375,832	358,795
Photocopier	1,100	917	1,018
Professional corporation fees	2,800	3,050	3,100
Travel recovery	22,350	13,487	14,976
	505,650	490,895	480,201
Expenditures			
Advertising	500	702	-
Amortization	-	8,107	9,599
Bank charges and interest	25	-	-
Continuing education	19,460	16,049	8,575
Communications	45,450	16,640	15,315
Discipline	53,000	17,403	52,113
Gifts and socials	16,450	12,435	12,314
Grants and contributions	500	-	500
Grants - Law librarian	2,000	1,741	3,000
Insurance	1,500	1,363	1,338
Licenses and dues	23,150	20,680	19,863
Meetings	8,500	4,192	5,906
Office and miscellaneous	10,050	9,393	9,618
Photocopier	200	203	157
Professional fees	44,000	85,051	27,448
Rent	42,175	42,175	42,174
Telephone	5,000	4,810	4,746
Travel	42,750	28,143	26,662
Wages and benefits	183,000	154,823	147,955
	497,710	423,910	387,283
Excess of revenue over expenditures before other items	7,940	66,985	92,918
Unrealized gain on investments	-	-	6,140
Excess of revenue over expenditures	\$ 7,940	\$ 66,985	\$ 99,058

The Law Society of Yukon

General Fund - Statement of Changes in Fund Balances

For the year ended December 31,

2017

2016

	Unrestricted	Invested in capital assets	Obligatory reserve fund	Discretionary reserve - operational projects	Discretionary reserve - special projects	Total	Total
Balance, beginning of year	\$1,372,192	\$ 46,864	\$ -	\$ -	\$ -	\$1,419,056	\$1,319,998
Amortization	8,107	(8,107)	-	-	-	-	-
Capital asset addition	(591)	591	-	-	-	-	-
Transfer	(1,446,693)	-	800,000	300,000	346,693	-	-
Excess of revenue over expenditures	66,985	-	-	-	-	66,985	99,058
Balance, end of year	\$ -	\$ 39,348	\$800,000	\$300,000	\$346,693	\$1,486,041	\$1,419,056

The Law Society of Yukon

General Fund - Statement of Financial Position

As at December 31, 2017 2016

Assets

Current

Cash	\$ 786,056	\$ 732,641
Accounts receivable	613	2,076
Prepaid expenses	5,061	4,359

791,730 739,076

Marketable securities (note 3)

691,086 679,501

Capital assets (note 4)

39,348 46,865

\$ 1,522,164 \$ 1,465,442

Liabilities

Current

Accounts payable and accrued liabilities (note 5)	\$ 21,188	\$ 9,796
Deferred revenue (note 6)	14,935	36,590

36,123 46,386

Fund Balances

Invested in property and equipment	39,348	46,864
Obligatory reserve fund	800,000	-
Discretionary reserve - operational projects	300,000	-
Discretionary reserve - special projects	346,693	-
Unrestricted	-	1,372,192

1,486,041 1,419,056

\$ 1,522,164 \$ 1,465,442

The Law Society of Yukon

Professional Liability Insurance Fund - Statement of Operations and Changes in Fund Balance

For the year ended December 31,	2017	2016
Revenue		
Insurance - Excess	\$ -	\$ 11,101
Insurance - Mandatory	149,599	146,836
Interest	24,909	22,974
	174,508	180,911
Expenditures		
Administration fee	3,600	3,400
Bank charges and interest	7	51
Claim management (ALIA)	520	1,038
Continuing Education	-	300
Insurance - Mandatory	141,113	151,575
Insurance - Excess	-	11,656
Lawyers Assistance Program	8,916	6,683
Meetings	-	82
Office, and miscellaneous	-	130
Professional fees	1,750	1,800
Travel	2,071	2,775
	157,977	179,490
Excess of revenue over expenditures before other items	16,531	1,421
Loss on sale of investments	(4,182)	-
Unrealized gain on investments	11,067	21,438
Excess of revenue over expenditures	23,416	22,859
Fund balance, beginning of year	803,771	780,912
Fund balance, end of year	\$ 827,187	\$ 803,771

The Law Society of Yukon

Professional Liability Insurance Fund - Statement of Financial Position

As at December 31,	2017	2016
Assets		
Current		
Cash	\$ 23,115	\$ 34,024
Prepaid expenses	72,243	68,870
	95,358	102,894
Marketable securities (note 3)	811,761	779,967
	\$ 907,119	\$ 882,861
Liabilities		
Current		
Accounts payable and accrued liabilities (note 5)	\$ 5,307	\$ 5,370
Deferred revenue (note 6)	74,625	73,720
	79,932	79,090
Fund Balances		
Unrestricted	827,187	803,771
	\$ 907,119	\$ 882,861

The Law Society of Yukon

Special Fund - Statement of Operations and Changes in Fund Balance

For the year ended December 31,	2017	2016
Revenue		
Investment	\$ 56,619	\$ 56,972
Members assessments	30,100	28,195
	86,719	85,167
Expenditures		
Insurance	10,472	10,427
Professional fees	9,160	7,982
	19,632	18,409
Excess of revenue over expenditures before other items	67,087	66,758
Gain on sale of investments	19,678	-
Unrealized gain on investments	46,326	52,172
Excess of revenue over expenditures	133,091	118,930
Fund balance, beginning of year	2,370,499	2,251,569
Fund balance, end of year	\$ 2,503,590	\$ 2,370,499

The Law Society of Yukon

Special Fund - Statement of Financial Position

As at December 31, 2017 2016

Assets

Current
Cash \$ 66,312 \$ 55,505
Prepaid expenses 5,676 5,676

71,988 **61,181**

Marketable securities (note 3) **2,434,755** **2,312,132**

\$ 2,506,743 **\$ 2,373,313**

Liabilities

Current
Accounts payable and accrued liabilities (note 5) \$ 3,153 \$ 2,814

Fund Balances

Unrestricted funds **2,503,590** **2,370,499**

\$ 2,506,743 **\$ 2,373,313**

The Law Society of Yukon

Combined Statement of Cash Flows

For the year ended December 31,	2017	2016
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 223,492	\$ 240,847
Items not affecting cash:		
Amortization	8,107	9,599
Realized gain on disposal of marketable securities	(15,496)	-
Unrealized gain on marketable securities	(57,393)	(79,750)
Change in non-cash operating working capital		
Marketable securities	(94,532)	(390,068)
Accounts receivable	1,463	435
Prepaid expenses	(4,075)	24,707
Accounts payable and accrued liabilities	11,668	(27,647)
Deferred revenue	(20,750)	(6,394)
	52,484	(228,271)
Investing activities		
Purchase of capital assets	(591)	-
Increase (decrease) in cash	51,893	(228,271)
Cash, beginning of year	822,170	1,050,441
Cash, end of year	\$ 874,063	\$ 822,170

The Law Society of Yukon

Notes to Financial Statements

December 31, 2017

1. Nature of operations

The Law Society of Yukon ("Society") operates pursuant to the Legal Profession Act of Yukon. The Society administers programs which help promote a high standard of legal services and professional conduct through governance and regulation of an independent legal profession.

The Society meets the qualification of a non-profit organization and is exempt from income tax under section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used by management in preparation of these financial statements are as follows:

(a) Capital assets

Capital assets are recorded at cost with a corresponding increase in funds invested in capital assets. Amortization has been calculated either by the declining balance over the estimated useful life of the capital assets or the straight-line method over the term of the lease at the rates set out in note 4. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

(b) Marketable securities

Marketable securities are recorded at market value with unrealized gains and losses recognized directly in the statements of revenue, expenses, and fund balances.

(c) Membership fees

Membership fees are due on January 31, 2017 for the membership year January 1, 2017 to December 31, 2017.

(d) Professional liability insurance levy

The policy for insurance coverage for the levy and premium expense is from July 1st to June 30th. Each year the amounts attributable to current year are calculated and recorded in current year. The balance is recorded as a prepaid expense and reversed to expense in the subsequent year. These amounts are recorded on the accrual basis.

(e) Fund accounting

The Society follows the restricted fund method of accounting for contributions.

The General Fund is an unrestricted fund which accounts for the Society's program delivery and administrative activities. Within the General Fund are the following funds that have been internally restricted:

- (i) Obligatory Reserve Fund: This fund has been established to provide a cushion to absorb unexpected or unplanned major expenditures relating to the Society's core mandate that the Society has an obligation to pay.

Notes to Financial Statements

December 31, 2017

2. Accounting policies (continued)

(e) Fund Accounting (continued)

(ii) Discretionary Reserve Fund - Operational Projects: This fund is available to fund expenditures that are of an operational nature and fall within the Society's core mandate. These funds are to be accessed for pre-identified and pre-approved projects when those projects cannot be covered by the annual revenues contemplated in the annual operating budget

(iii) Discretionary Reserve Fund - Special Projects: These funds are available to fund initiatives or projects that support, directly or indirectly, the mandate of the Society.

The Professional Liability Insurance Fund accounts for member liability insurance in relation to error or omission liability.

The Special Fund reports revenue from interest earned on investments. The Special Fund receives a levy from solicitors. All amounts are recorded on the accrual basis. The funds are to be used in the event of defalcation of a member.

(f) Restricted funds

Restricted funds are created when designated as restricted by the Law Society of Yukon. The restricted funds represent a segregation of funds by the Law Society of Yukon for certain specified expenditures.

(g) Contributed services

Volunteers contribute a significant number of hours to the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(h) Budget information

Budgets are not audited, and are prepared only for the General Fund.

(i) 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Actual results may differ from those estimates.

(j) Revenue recognition

Revenue of the Professional Liability Insurance Fund and the Special Fund is recognized in the funds when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Revenue of the General fund is recognized in accordance with the restricted fund method.

The Law Society of Yukon

Notes to Financial Statements

December 31, 2017

2. Accounting policies (continued)

(k) Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity and debt instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at their fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the impairment, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transactions costs

The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their obligation, issuance or assumption.

Other financial liabilities:

This category comprises trade payables. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to these financial liabilities are expensed as incurred.

Unless otherwise stated, the fair value of the Society's financial instruments approximate their carrying values.

(l) Investment income

The Society recognizes interest revenue as earned, dividends when declared, and investment gains and losses when realized. Interest revenue includes amortization of any premium or discount recognized at the date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses represent the difference between the cost base of the investments and their fair market value at year end date.

The Law Society of Yukon

Notes to Financial Statements

December 31, 2017

3. Marketable securities

As at December 31, 2017, market values reflect increases or decreases from cost due to current interest rates differing from contractual rates and unrealized gains or losses on certain investments. The net unrealized gain of \$57,393 (2016 - \$79,750) was recognized in the statement of operations at year end.

Notwithstanding the designation of the investments as Held for Trading, it is not the intention of the Society to actively engage in the purchase and sale of securities on a short-term basis, but primarily to meet liquidity needs if and when they may arise. The Society's investment policy specifies maximum levels of direct equity market exposure, in addition to fixed and variable rate investments. The policy addresses issues of diversification, asset allocation, investment concentration and minimum credit ratings. Investment decisions are made in close consultation with an experienced professional portfolio advisor.

	2017	2016
<hr/>		
General Fund:		
Cash and cash equivalents	\$ 325,934	\$ 269,432
Fixed income securities	320,043	361,352
Equity securities	16,181	17,378
Accrued interest	21,757	24,167
Unrealized gain	7,171	7,172
	<hr/>	<hr/>
	\$ 691,086	\$ 679,501
<hr/>		
Professional Liability Insurance Fund:		
Cash and cash equivalents	\$ 685	\$ 29,600
Fixed income securities	720,812	676,579
Equity securities	31,984	29,779
Accrued interest	23,126	19,923
Unrealized gain	35,154	24,086
	<hr/>	<hr/>
	\$ 811,761	\$ 779,967
<hr/>		
Special Fund:		
Cash and cash equivalents	\$ 2,170	\$ 1,628
Fixed income securities	1,766,574	1,633,066
Equity securities	371,677	443,927
Accrued interest	108,409	93,912
Unrealized gain	185,925	139,599
	<hr/>	<hr/>
	\$ 2,434,755	\$ 2,312,132
	<hr/>	<hr/>
	\$ 3,937,602	\$ 3,771,600
<hr/>		

The value of fixed income securities fluctuates with changes in interest rates. The fixed income securities currently earn interest at varying rates ranging from 1.66% to 2.66% and have varying maturity dates ranging from June 2018 to October 2022.

The Law Society of Yukon

Notes to Financial Statements

December 31, 2017

4. Capital assets

	Rate	Cost	Accumulated Amortization	2017 Net book Value	2016 Net book Value
Furniture and equipment	20%	\$ 103,161	\$ 84,675	\$ 18,486	\$ 23,106
Computer	30%	14,311	11,499	2,813	3,303
Leasehold improvements	10% S.L.	24,066	6,017	18,049	20,456
		\$ 141,538	\$ 102,191	\$ 39,348	\$ 46,865

5. Accounts payable and accrued liabilities

Included in the combined accounts payable and accrued liabilities are \$6,078 (2016 - \$4,691) payable with respect to GST and payroll remittances to the Receiver General of Canada.

6. Deferred revenue

The Society's annual membership fees for the following year are due just after the current year-end and Canadian Lawyers Insurance Association fees are collected semi-annually. The amount received prior to year-end has been recorded as deferred revenue in keeping with the revenue recognition policy described in note 2(j).

7. Commitment

The Society has entered into a long term commercial lease agreement terminating in 2025.

8. Financial instruments

Financial assets consist of cash and marketable securities and financial liabilities consist of accounts payable and accrued liabilities and deferred revenue. The Society is exposed to the following risks in respect of certain of the financial instruments held:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk can be divided between currency risk, interest rate risk, and other price risk.

Currency risk

Currency risk refers to the risk that fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Society is not exposed to this risk.

The Law Society of Yukon

Notes to Financial Statements

December 31, 2017

8. Financial instruments (con't)

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of the Society to this risk arises from holding fixed income investments. This risk is mitigated as the Society invests in fixed income investments with varying maturity dates.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency or interest rate risk), whether those changes are caused by factors specific to the individual instrument or to its issuer or factors affecting all similar instruments traded in the market.

The Society is exposed to this risk because of its investment in equity investments. The exposure to this risk is managed by maintaining a more significant portion of its investments in fixed income investments and investing in more stable equity investments.