

Law Society of Nunavut

Financial Statements

December 31, 2021

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DRAFT - INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Law Society of Nunavut

Opinion

We have audited the financial statements of the Law Society of Nunavut (the Society), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its results of 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. 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 Society 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 for 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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

DRAFT - INDEPENDENT AUDITOR'S REPORT (CONT.)

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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Law Society of Nunavut

STATEMENT OF REVENUES AND EXPENSES

Year ended December 31, 2021

	General Fund	Other Programs Schedule 1	Assurance Fund	Liability Fund	2021	2020
REVENUES						
Application, admission and other fees	\$ 36,336	\$ -	\$ -	\$ -	\$ 36,336	\$ 31,937
Levies	-	-	46,000	55,777	101,777	128,908
Investment income	39	-	16,622	12,197	28,858	5,518
Membership fees	599,700	-	-	-	599,700	575,536
Restricted appearance fees	66,500	-	-	-	66,500	56,000
The Law Foundation of Ontario	-	69,199	-	-	69,199	80,674
Government of Canada	-	401,160	-	-	401,160	283,886
	702,575	470,359	62,622	67,974	1,303,530	1,162,459
EXPENSES						
Access to Justice program	-	-	-	-	-	-
Advertising	7,590	-	-	-	7,590	197
AGM and meetings	24,894	-	-	-	24,894	15,139
Program expenses	-	489,142	-	-	489,142	364,560
Equipment	8,926	-	-	-	8,926	10,552
CLIA assurance premium	-	-	22,834	-	22,834	7,567
CLIA insurance premium	-	-	-	68,724	68,724	80,793
Interest and bank charges	1,205	-	100	75	1,380	1,996
Memberships, dues and licenses	28,239	-	-	-	28,239	31,111
Office and postage	25,158	-	-	-	25,158	15,143
Professional fees	174,682	-	-	-	174,682	141,110
Project management	-	-	-	-	-	-
Rent	67,982	-	-	-	67,982	59,257
Salaries and benefits	434,763	-	-	-	434,763	386,064
Telecommunications	10,690	-	-	-	10,690	14,401
Travel	2,820	-	1,706	-	4,526	5,087
	786,949	489,142	24,640	68,799	1,369,530	1,132,977
EXCESS REVENUES (EXPENSES)	\$ (84,374)	\$ (18,783)	\$ 37,982	\$ (825)	\$ (66,000)	\$ 29,482

Law Society of Nunavut

STATEMENT OF CHANGES IN FUND BALANCES

Year ended December 31, 2021

	Unrestricted		Restricted			
	General	Assurance	Liability		2021	2020
	Fund	Fund	Fund			
BALANCE, OPENING	\$ 508,584	\$ 739,450	\$ 218,998	\$	1,467,032	\$ 1,437,550
Excess of revenues (expenses)	(103,157)	37,982	(825)		(66,000)	29,482
BALANCE, CLOSING	\$ 405,427	\$ 777,432	\$ 218,173	\$	1,401,032	\$ 1,467,032

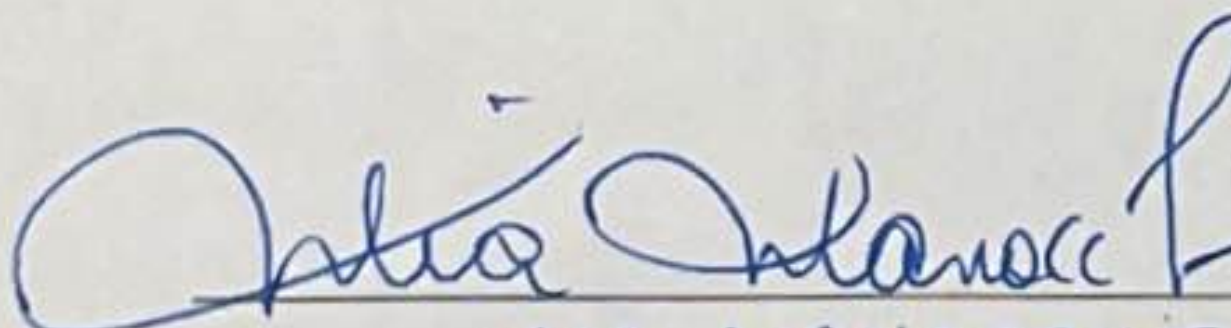
Law Society of Nunavut

STATEMENT OF FINANCIAL POSITION Year ended December 31, 2021

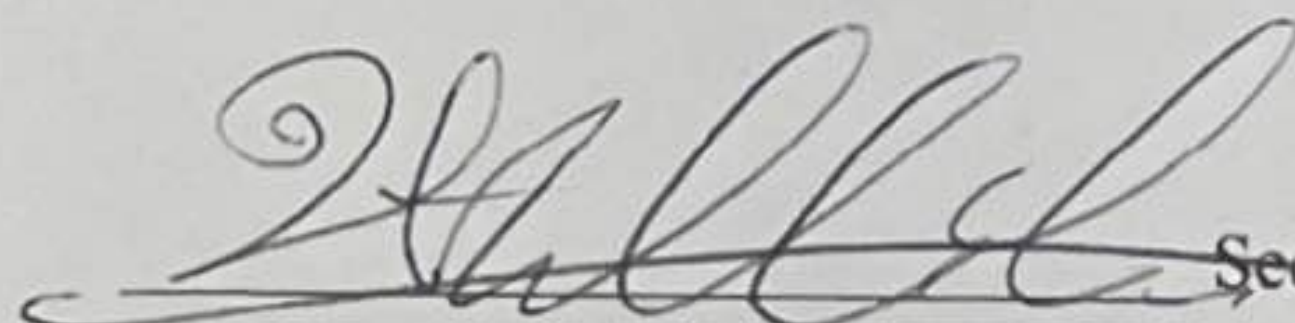
	General Fund	Assurance Fund	Liability Fund	2021	2020
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 428,713	\$ 741,687	\$ 361,994	\$1,532,394	\$1,614,065
Account receivable (note 3)	47,432	-	-	47,432	10,536
Prepaid expenses	30,853	-	-	30,853	43,588
Inter-fund receivable (payable)	108,076	35,745	(143,821)	-	-
	<u>\$ 615,074</u>	<u>\$ 777,432</u>	<u>\$ 218,173</u>	<u>\$1,610,679</u>	<u>\$1,668,189</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (note 4)	\$ 70,816	\$ -	\$ -	\$ 70,816	\$ 43,027
Due to Nunavut Law Foundation	14,700	-	-	14,700	8,175
Deferred fee revenue (note 5)	124,131	-	-	124,131	23,389
Deferred grant revenue (note 6)	-	-	-	-	126,566
	<u>209,647</u>	<u>-</u>	<u>-</u>	<u>209,647</u>	<u>201,157</u>
FUND BALANCES					
Restricted	-	777,432	218,173	995,605	958,448
Unrestricted	405,427	-	-	405,427	508,584
	<u>405,427</u>	<u>777,432</u>	<u>218,173</u>	<u>1,401,032</u>	<u>1,467,032</u>
	<u>\$ 615,074</u>	<u>\$ 777,432</u>	<u>\$ 218,173</u>	<u>\$1,610,679</u>	<u>\$1,668,189</u>

Contingent liabilities (Note 7)
Commitments (Note 8)

APPROVED BY THE BOARD:


M/A MANOCCHIO
FOR LAUREN S.

VICE
President


Secretary/Treasurer

Law Society of Nunavut

STATEMENT OF CASHFLOWS

Year ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue (expenses)	\$ (66,000)	\$ 29,482
CHANGE IN NON-CASH WORKING CAPITAL ITEMS		
(Increase) decrease in accounts receivable	(36,896)	12,055
Due to (from) Nunavut Law Foundation	6,525	2,767
Decrease (increase) in prepaid expenses	12,735	(36,445)
Increase in accounts payable and accrued liabilities	27,789	2,958
Increase in deferred fees	100,742	23,389
(Decrease) increase in deferred grant revenue	(126,566)	87,919
CHANGE IN CASH	(81,671)	122,125
CASH AND CASH EQUIVALENTS, OPENING	1,614,065	1,491,940
CASH AND CASH EQUIVALENTS, CLOSING	\$ 1,532,394	\$ 1,614,065

Law Society of Nunavut

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2021

1 - NATURE OF ACTIVITIES AND BASIS OF ACCOUNTING

The Law Society of Nunavut is incorporated under the Legal Profession Act of Nunavut. The purpose of the Society is to provide services to the legal profession in Nunavut. The main services are admission, discipline and education.

The Society is a not-for-profit organization and is exempt from income tax under Sec.149(1)(l) of the Income Tax Act (Canada)

2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Society are in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a. 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

b. Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are measured at fair value. Financial assets measured at amortized cost include cash and cash equivalents, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to Nunavut Law Foundation. It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments unless otherwise noted.

c. Fund Accounting

The Society follows the restricted fund method of accounting for contributions. The General Fund accounts for the Society's program delivery and administrative activities. The Assurance Fund reports only restricted funds to be used in conjunction with any defalcation claims that may be made against a member and expenses related to the assurance of compliance. The Liability Fund reports only restricted funds to be used in conjunction with member liability insurance in relation to error and omission liability.

Law Society of Nunavut

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2021

2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Revenue Recognition

Fees and levies are recognized as revenue in the period in which they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions related to the Assurance Fund are recognized as revenue in the Assurance Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to the Liability Fund are recognized as revenue in the Liability Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized in the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

e. Contributed Services

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

f. Equipment

Equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives. The threshold for capitalization has been set at \$5,000, accordingly all purchases less than the threshold have been expensed.

g. Allocation of Expenditures

Direct expenditures which are wholly attributable to a specific program are charged directly to the appropriate program. In circumstances where expenditures are not wholly attributable to a specific program these expenditures are allocated amongst the programs based on management's estimates of the time, effort and resources required to support these activities.

h. Cash and Cash Equivalents

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short term highly liquid investments that are readily convertible to cash. Short term investments are recorded at the lower of cost or market value.

Law Society of Nunavut

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2021

3. ACCOUNTS RECEIVABLE

	2021		2020	
Trade receivables	\$	39,561	\$	-
GST receivable		7,871		10,536
	\$	47,432	\$	10,536

The allowance for doubtful accounts is \$0 (2020 - \$0)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021		2020	
Trade payables	\$	70,816	\$	43,029

5. DEFERRED FEE REVENUE

Deferred fee revenue represents annual fees and levies received in advance of the fiscal year in which they are due. The balance of deferred fees and levies of \$124,131 (2020 - \$23,389) will be taken into income for the year ended December 31, 2021.

6. DEFERRED REVENUE

	Opening	Receipts	Recognized	2021	2020
Government of Canada	\$ 83,015	\$ 318,145	\$ (401,160)	\$ -	\$ 83,015
Law Foundation of Ontario	43,551	-	(43,551)	-	43,551
	\$ 126,566	\$ 318,145	\$ (444,711)	\$ -	\$ 126,566

7. CONTINGENCIES

Insurance

The Canadian Lawyers Insurance Association ("CLIA") is a reciprocal insurance exchange established to provide professional liability insurance for the legal profession. The likelihood of a retroassessment call is not determinable at this time. If a retroassessment is called, it will be recorded as an expense in the year in which it occurs.

Law Society of Nunavut

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2021

8. COMMITMENTS

The Society signed an agreement for a five year lease of office space, which commenced January 1, 2020 and ends on December 31, 2024 with annual payments as follows:

2022	\$	65,003
2023		66,900
2024		<u>67,323</u>
	\$	<u>199,226</u>

9. COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The COVID-19 virus is affecting businesses in Nunavut and throughout the world. A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Society's operations will be impacted. Consequently, at the time of issuance of these financial statements, the effect that the abrupt decline in economic activity will have on the Society's operations, assets, liabilities, fund balances, revenues, and expenses is not yet known.

Law Society of Nunavut

SCHEDULE OF PROGRAMS

Year ended December 31, 2021

	LFO Access to Justice	GOC - Sexual Harassment in the Workplace	GOC - Prevention Family Violence	Total 2021
Revenues				
The Law Foundation of Ontario	\$ 69,199	\$ -	\$ -	\$ 69,199
Government of Canada	-	266,210	134,950	401,160
Transfer to deferred revenue	-	-	-	-
	<u>69,199</u>	<u>266,210</u>	<u>134,950</u>	<u>470,359</u>
Expenses				
Salaries and benefits	-	70,000	5,000	75,000
Program expenses	69,199	143,344	83,384	295,927
Professional fees	-	60,242	46,593	106,835
Project management	-	11,380	-	11,380
	<u>69,199</u>	<u>284,966</u>	<u>134,977</u>	<u>489,142</u>
Excess Revenue (expense)	<u>\$ -</u>	<u>\$ (18,756)</u>	<u>\$ (27)</u>	<u>\$ (18,783)</u>