

Law Society
of British Columbia

Financial Statements
2024

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2024 Audited Financial Statements - Management Discussion and Analysis

The Law Society of British Columbia accounts for its financial activities through two separate funds: the General Fund and the Lawyers Indemnity Fund. Society management has the responsibility for assisting the Benchers in fulfilling the Society's mandate, while ensuring that operating expenditures are closely controlled and that appropriate accounting and internal controls are maintained. The 2024 audited financial statements for the two funds are set out in this report. The statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

During 2024, in addition to the general oversight by the Benchers, the Finance and Audit Committee assisted the Benchers in ensuring that management properly managed and reported on the financial affairs of the Society. The oversight by the Benchers and the Finance and Audit Committee included:

- Reviewing periodic financial statements of the General and Consolidated Lawyers Indemnity Fund
- Reviewing investment performance as managed by the appointed investment managers
- Reviewing with the Law Society's auditors their approach, scope and audit results
- Reviewing the annual Audit Report prepared by the Law Society auditors
- Reviewing the reporting from the Law Society's actuary on the provision for settlement of indemnity claims
- Recommending the 2025 practice and indemnity fees and reviewing corresponding budgets
- Reviewing the enterprise risk management plan

General Fund

Overview

Overall, the 2024 results for the General Fund resulted in an operating surplus of \$270,000. Revenues were higher this year due to increase in the number of practising lawyers and an increase in interest income, partially offset by a decrease in fines and penalties and rental revenue. Operating expenses increased over the prior year primarily due to additional staffing costs, along with market-based salary adjustments, information services and cyber security costs, partially offset by lower external counsel fees.

Revenues

General Fund revenue was \$39.1 million, \$0.8 million (2%) higher than 2023 primarily due to higher practice fees with the growth in the number of practising lawyers and higher interest income, partially offset by decreases in revenue in other areas.

Practice fee revenue was \$28.8 million, an increase of \$900,000 for the year, with the number of full-time equivalent practising lawyers at 14,618, an increase of 2.7% from the prior year.

Trust administration fees decreased slightly from last year with fewer trust account transactions compared to last year.

PLTC enrollment revenue was steady to last year, with 658 students taking PLTC during the year.

Investment revenue was \$1.9 million, an increase of \$185,000 from last year, with interest rates staying at a higher level for the first half of the year, and then declining towards the end of the year.

There was a decrease in fines and penalty revenues, mainly due to higher compliance with the CPD requirements.

Rental revenue decreased due to one tenant moving to different premises.

The Lawyers Indemnity Fund contributed \$2.9 million to the General Fund for co-sponsored program costs and for general program and administrative expenses attributable to operations.

Expenses

The 2024 General Fund expenses were \$41.6 million, an increase of \$2.1 million (5%), with increased staffing levels and market-based salary adjustments, along with increased information technology costs, partially offset by lower external counsel fees. Other highlights are noted below.

Benchner Governance and Support expenses increased \$86,000 due to increased travel and meeting costs.

Communications costs increased \$73,000 due to staffing and market-based wage adjustments.

Information Services costs increased \$526,000 with increased software maintenance costs, cyber security measures, IT plan consulting costs, additional staff and market-based wage adjustments.

Education and Practice expenses increased \$440,000 due to higher licensing fees for the online learning platform, lawyer development costs for the development of the principal training course and competency framework, along additional staffing costs and market-based wage adjustments.

General and administration costs increased \$810,000 with higher staffing costs, travel and meeting expenses, HR consulting and professional services.

Policy and Legal Services expenses decreased \$590,000 with lower staffing costs and external counsel fees.

Regulation expenses increased slightly by \$223,000 due to increased staffing costs and market-based wage adjustments, partially offset by lower external counsel fees.

Occupancy costs were \$210,000 higher due to higher building repairs and maintenance and security costs, offset by lower property taxes.

Costs related to the transition to the Single Legal Regulator of \$625,000 were funded from reserves.

Net Assets

Overall, the General Fund remains financially sound. As of December 31, 2024, net assets in the General Fund were \$39.7 million. The net assets include \$4.4 million in capital funding for planned capital projects related to the maintenance of the 845 Cambie Street building, workspace improvements for Law Society operations and information technology. Pursuant to the reserve policy, during the year, \$550,000 of net assets were transferred from the Lawyers Indemnity Fund to

top up the net assets for trust assurance. After this transfer, at December 31, 2024, the net assets include \$1.9 million of trust assurance net assets. The remaining General Fund net assets were \$33.4 million, of which \$13 million is invested in capital assets and \$20.4 million is working capital.

Lawyers Indemnity Fund

Overview

The Lawyers Indemnity Fund (LIF) remains in a strong financial position at the end of 2024.

Revenues

The 2024 indemnity assessment resulted in total revenue of \$18.4 million, compared to \$18.0 million in 2023, with an increase in indemnified lawyers.

During 2024, the long-term investment portfolio earned a return of 10.6% compared to the benchmark return of 12.7%. Returns were near or above the market in most asset classes, except the equities and real estate funds.

Expenses

In 2024, the Lawyers Indemnity Fund operating costs - not including claims payments and unallocated loss adjustment expenses - were \$11 million, compared to \$10.9 million in 2023. The increase is mainly due to general wage increases offset by decreases in professional fees and allocated costs from the General Fund.

The net actuarial provision for settlement of claims for the year was \$28.3 million, an increase of \$20.8 million from 2023. The claims provision was higher due to an increase in reserves for unpaid claims arising from prior years, along with claims reserves in the current year. The provision for claims liabilities on the Balance Sheet at the end of 2024 was \$87.1 million, compared to \$72.9 million at the end of 2023.

Net Assets

At December 31, 2024, LIF remains in a solid financial position, with net assets of \$153.3 million, which includes \$17.5 million internally restricted for Part B claims, leaving \$135.8 million in unrestricted net assets.

The Law Society of British Columbia – General Fund

Fund Financial Statements
December 31, 2024



Independent auditor's report

To the Members of The Law Society of British Columbia

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Law Society of British Columbia – General Fund (the Fund) as at December 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Fund's financial statements comprise:

- the fund statement of financial position as at December 31, 2024;
- the fund statement of changes in net assets for the year then ended;
- the fund statement of revenue and expenses for the year then ended;
- the fund statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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.

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 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 Fund'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 Fund'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 Fund 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 14, 2025

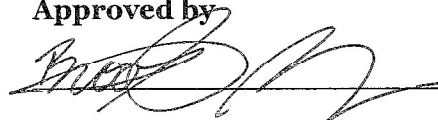
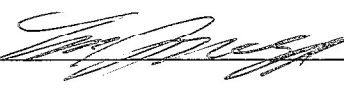
The Law Society of British Columbia – General Fund

Fund Statement of Financial Position

As at December 31, 2024

	2024 \$	2023 \$
Assets		
Current assets		
Cash (note 2)	21,992,678	28,491,695
Unclaimed trust funds (note 2)	2,257,578	2,234,157
Accounts receivable and prepaid expenses (note 3)	3,604,876	2,345,946
Due from Lawyers Indemnity Fund (note 8)	23,668,793	16,243,677
	<u>51,523,925</u>	<u>49,315,475</u>
Non-current assets		
Cambie Street property – net (note 4 (a))	10,307,219	10,780,747
Other property and equipment – net (note 4 (b))	1,557,847	1,580,896
Intangible assets – net (note 4 (c))	1,124,897	905,910
	<u>64,513,888</u>	<u>62,583,028</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	7,081,483	6,161,012
Liability for unclaimed trust funds (note 2)	2,257,578	2,234,157
Deferred revenue (note 2)	15,436,313	15,267,681
Deposits	57,505	57,706
	<u>24,832,879</u>	<u>23,720,556</u>
Net assets		
Unrestricted net assets (note 7)	<u>39,681,009</u>	<u>38,862,472</u>
	<u>64,513,888</u>	<u>62,583,028</u>
Commitments under operating leases (note 11)		

Approved by

 President  Chair of Finance and Audit Committee

The accompanying notes are an integral part of these fund financial statements.

The Law Society of British Columbia – General Fund

Fund Statement of Changes in Net Assets

For the year ended December 31, 2024

	2024 \$	2023 \$
Net assets – Beginning of year	38,862,472	36,659,852
Net excess of revenue over expenses for the year	<u>818,537</u>	<u>2,202,620</u>
Net assets – End of year (note 7)	<u>39,681,009</u>	<u>38,862,472</u>

The accompanying notes are an integral part of these fund financial statements.

The Law Society of British Columbia – General Fund

Fund Statement of Revenue and Expenses

For the year ended December 31, 2024

	2024 \$	2023 \$
Revenue		
Practice fees	28,775,465	27,872,539
Trust administration fees	3,054,695	3,123,698
Enrolment fees	1,859,336	1,878,625
E-filing revenue	871,748	859,971
Fines, penalties and recoveries	496,668	622,022
Application fees	698,678	717,873
Investment income (note 8)	1,910,318	1,726,367
Other income	534,598	555,332
Rental revenue	933,311	1,009,641
	39,134,817	38,366,068
Expenses		
Benchers governance and support	1,316,539	1,230,689
Communications and publications	764,332	691,850
Information services	2,796,566	2,270,264
Education and practice		
Credentials	1,153,334	941,306
Licensee services	1,086,971	1,054,689
Licensee assistance programs	87,371	93,330
Practice advice	1,056,129	1,132,721
Practice standards	554,737	445,119
Professional legal training course and education	3,624,322	3,455,537
General and administrative		
Finance	1,577,516	1,574,968
Amortization of other property and equipment	399,185	424,905
Amortization of intangible assets	188,236	150,712
General administration	2,796,681	2,244,325
Human resources	994,720	796,577
Records management and library	437,244	391,960
Policy and legal services		
Policy, ethics and tribunal counsel	2,335,040	2,772,957
External litigation and interventions	124,342	261,603
Unauthorized practice	293,418	307,307
Regulation		
Custodianship costs	2,135,057	2,098,795
Discipline	2,357,808	2,901,965
Professional conduct – intake and investigations	8,299,847	7,526,359
Forensic accounting	733,377	823,340
Trust assurance	3,288,007	3,240,232
Occupancy costs, net of tenant recoveries	2,693,143	2,482,715
Carried forward	41,093,921	39,314,226

The Law Society of British Columbia – General Fund

Fund Statement of Revenue and Expenses ...continued

For the year ended December 31, 2024

	2024 \$	2023 \$
Brought forward	41,093,921	39,314,226
Other expenses under program expense (revenue)		
Legal Professions Act transition costs (note 12)	625,502	159,444
Costs recovered from Lawyers Indemnity Fund		
Co-sponsored program costs	(1,143,500)	(1,226,051)
Program and administrative costs	(1,709,643)	(1,654,171)
	(2,853,143)	(2,880,222)
	38,866,280	36,593,448
Excess of revenue over expenses before contribution from Lawyers Indemnity Fund	268,537	1,772,620
Contribution from Lawyers Indemnity Fund (note 7)	550,000	430,000
Net excess of revenue over expenses for the year	818,537	2,202,620

The accompanying notes are an integral part of these fund financial statements.

The Law Society of British Columbia – General Fund

Fund Statement of Cash Flows

For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Net excess of revenue over expenses for the year	818,537	2,202,620
Items not affecting cash		
Amortization of Cambie Street building and tenant improvements	1,031,802	1,074,104
Amortization of other property and equipment	399,185	424,905
Amortization of intangible assets	188,236	150,712
Loss on disposal of other property and equipment	7,390	16,443
Contribution from Lawyers Indemnity Fund	(550,000)	(430,000)
	<u>1,895,150</u>	<u>3,438,784</u>
(Increase) decrease in current assets		
Unclaimed trust funds	(23,420)	(79,769)
Accounts receivable and prepaid expenses	(1,258,930)	(56,633)
Short-term loan receivable (note 5)	-	535,161
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	920,470	281,952
Liability for unclaimed trust funds	23,420	79,769
Deferred revenue	168,632	138,872
Deposits	(201)	(550)
	<u>1,725,121</u>	<u>4,337,586</u>
Financing activities		
Interfund transfers	<u>(6,875,116)</u>	<u>(4,080,600)</u>
Investing activities		
Purchase of property and equipment	(934,515)	(2,384,582)
Purchase of intangible assets	<u>(414,507)</u>	<u>(325,570)</u>
	<u>(1,349,022)</u>	<u>(2,710,152)</u>
Decrease in cash	<u>(6,499,017)</u>	<u>(2,453,166)</u>
Cash – Beginning of year	<u>28,491,695</u>	<u>30,944,861</u>
Cash – End of year	<u>21,992,678</u>	<u>28,491,695</u>
Supplementary cash flow information		
Interest income received	1,876,647	1,733,234

The accompanying notes are an integral part of these fund financial statements.

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

1 Nature of operations

The Law Society of British Columbia – General Fund (the Society) regulates the legal profession in British Columbia, protecting public interest in the administration of justice by setting and enforcing standards of professional conduct for lawyers. The Society is a not-for-profit organization.

The funds covered in these fund financial statements are for the Society's General Fund with the following activities:

The General Fund comprises the assets, liabilities, net assets, revenue and expenses of the operations of the Society other than those designated to the Lawyers Indemnity Fund. This includes collecting revenues associated with practice fees, trust administration fees, enrolment fees, and various other administrative fees and penalties used to cover the costs of the Society to regulate the legal profession and educate and enforce adherence of its licensees to act within the rules of professional conduct for lawyers.

Effective from May 1, 2004, Part B to the B.C. Lawyers' Compulsory Professional Liability Indemnification Policy provides defined indemnity coverage for dishonest appropriation of money or other property entrusted to and received by insured lawyers in their capacity as barristers and solicitors and in relation to the provision of professional services. Part B (Trust Protection Coverage) is recorded in the Lawyers Indemnity Fund.

The Society's Lawyers Indemnity Fund is presented separately in consolidated fund financial statements, including the Society's wholly owned BC Lawyers' Indemnity Association (BCLIA). The Lawyers Indemnity Fund underwrites the program by which errors and omissions indemnity is provided to licensees of the Society. The Lawyers Indemnity Fund's consolidated fund financial statements provide further detail on the various indemnity coverages provided.

2 Significant accounting policies

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

Allocated administrative expenses

Administrative expenses are recovered by the General Fund from the Lawyers Indemnity Fund. Recoveries are based on amounts derived either on percentage of use, the proportion of the Lawyers Indemnity Fund's staff compared to the Society's total staff costs, or a set amount.

Cash

Cash comprises cash on hand and held with a Canadian chartered bank.

Fair value of financial instruments

The fair values of cash, accounts receivable and accounts payable and accrued liabilities correspond to their carrying values due to their short-term nature.

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

Intangible assets

Intangible assets comprise computer software and website development. Software and website development are recorded at cost and amortized on a straight-line basis at 10% – 20% per annum for software and at 20% for website development.

Property and equipment

Property and equipment, including leasehold improvements, are recorded at cost less accumulated amortization.

The Society provides for amortization on a straight-line basis as follows:

Buildings	40 years from purchase date
Building – envelope	7% per annum
Computer hardware	10% – 20% per annum
Computer software and website development	10% – 20% per annum
Furniture and fixtures	10% per annum
Leasehold improvements	10% per annum
Building improvements and equipment	10% per annum
Tenant improvements	10% per annum

The Society recognizes a full year's amortization expense in the year of acquisition, with the exception of building improvements and equipment and leasehold improvements, which are amortized from their date of completion.

Revenue recognition

The Society follows the deferral method of accounting for practice fees and assessments. Fees and assessments are billed and received in advance on a calendar-year basis. Accordingly, fees and assessments for the next fiscal year received prior to December 31 have been recorded as deferred revenue for financial reporting purposes and will be recognized as revenue in the next calendar year. Revenue will be recognized on a monthly basis as earned. Surplus funds are invested in a high interest savings account periodically.

All other revenues are recognized when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unclaimed trust funds

The General Fund recognizes unclaimed trust funds as an asset as well as a corresponding liability on the fund statement of financial position. If these funds are claimed, the owner of the trust fund balance is entitled to the principal balance plus interest at prime rate minus 2%. Due to the historically low collection rates on these balances, the General Fund does not accrue for any interest owing on the trust fund amounts held and recognizes income earned from the unclaimed trust fund investments in the fund statement of revenue and expenses. Unclaimed funds outstanding for more than five years are transferred to the Law Foundation of British Columbia.

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

Use of estimates

The preparation of fund financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities as at the date of the fund financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from these estimates.

3 Accounts receivable and prepaid expenses

Accounts receivable are presented net of the allowance for doubtful accounts of \$896,344 (2023 – \$1,061,612).

4 Property, equipment and intangible assets

a) 845 Cambie Street property

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Land	4,189,450	-	4,189,450
Buildings and equipment	18,158,663	13,504,688	4,653,975
Leasehold improvements	8,974,356	7,510,562	1,463,794
Tenant improvements	478,404	478,404	-
	<u>31,800,873</u>	<u>21,493,654</u>	<u>10,307,219</u>
	2023		
	Cost \$	Accumulated amortization \$	Net \$
Land	4,189,450	-	4,189,450
Buildings and equipment	17,742,524	12,805,872	4,936,652
Leasehold improvements	8,832,221	7,189,036	1,643,185
Tenant improvements	478,404	466,944	11,460
	<u>31,242,599</u>	<u>20,461,852</u>	<u>10,780,747</u>

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

b) Other property and equipment

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	4,035,592	2,959,755	1,075,837
Computer hardware	1,999,285	1,521,031	478,254
Artwork and collectibles	49,161	45,405	3,756
Law libraries – at nominal value	1	-	1
	6,084,039	4,526,191	1,557,848

	2023		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	3,764,678	2,778,964	985,714
Computer hardware	1,930,163	1,338,738	591,425
Artwork and collectibles	49,161	45,405	3,756
Law libraries – at nominal value	1	-	1
	5,744,003	4,163,107	1,580,896

c) Intangible assets

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	2,743,767	1,766,424	977,343
Website development	333,805	186,251	147,554
	3,077,572	1,952,675	1,124,897

	2023		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	2,418,534	1,643,047	775,487
Website development	280,420	149,997	130,423
	2,698,954	1,793,044	905,910

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

5 Short-term loan receivable

In 2018, the Society agreed to participate with other Canadian law societies in a collective loan of \$2 million to the Canadian Legal Information Institute (CanLII), a wholly owned subsidiary of the Federation of Law Societies of Canada (FLSC). The loan is part of the financing for the purchase by CanLII of Lexum, a corporation providing support services to CanLII for the implementation of CanLII's legal information website. The Law Society's participation in this loan was \$276,390 in 2018. Part of the Society's support of this transaction are annual repayable capital payments of \$89,079 in 2019, \$86,257 in 2020 and \$83,435 in 2021 to the vendors of Lexum as provided in a Subordination and Commitment Agreement. Amounts advanced under this agreement earn interest at the same rate as the amount advanced under the collective loan. The loan had a five-year term ending February 23, 2023 with an annual interest rate of 4.74%, payable annually. The interest earned in the current year relating to the loan was \$nil (2023 – \$6,867). Repayment of the loan was made in May 2023.

6 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts collected on behalf of external organizations, but not yet paid:

	2024 \$	2023 \$
Advocate	240,468	233,858
Courthouse Libraries BC	1,906,153	2,137,156
Lawyers Assistance Program	567,853	578,296
Pro bono	196,497	223,430
CanLII	291,207	301,491
Federation of Law Societies	218,404	177,310

7 Unrestricted net assets

The General Fund unrestricted net assets include \$4,379,166 (2023 – \$3,886,268), which has been allocated to capital expenditures in accordance with the capital plan.

The General Fund unrestricted net assets also include \$1,895,753 (2023 – \$1,880,000), which has been appropriated for future trust assurance expenses. During the year, \$3,054,695 (2023 – \$3,123,698) in trust administration fee revenue was collected and \$3,588,007 (2023 – \$3,540,232) in trust assurance expenses were incurred.

Pursuant to the reserve policy, \$550,000 of the net assets was transferred from the Lawyers Indemnity Fund to Trust Assurance in 2024 (2023 – \$430,000 of the net assets was transferred from the Lawyers Indemnity Fund to Trust Assurance).

The remaining General Fund net assets represent \$12,989,963 (2023 – \$13,267,553) invested in capital assets, and working capital of \$20,416,127 (2023 – \$19,828,651), combining for a total unrestricted net asset amount of \$33,406,090 (2023 – \$33,096,204).

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

	(in 000s)					2024	2023
	Invested in capital \$	Working capital \$	Unrestricted \$	Trust assurance \$	Capital plan \$	Total \$	Total \$
Net assets – Beginning of year	13,268	19,828	33,096	1,880	3,886	38,862	36,659
(Deficiency) excess of revenue over expenses before contribution from Lawyers Indemnity Fund	(1,627)	588	(1,039)	(534)	1,842	269	1,773
Contribution from Lawyers Indemnity Fund	-	-	-	550	-	550	430
Purchase of intangible and capital assets	1,349	-	1,349	-	(1,349)	-	-
Net assets – End of year	12,990	20,416	33,406	1,896	4,379	39,681	38,862

8 Interfund transactions

The operations of the General and Lawyers Indemnity Funds are controlled by the management of the Society. Balances between the funds generally arise from transactions of an operating nature and are recorded at the exchange amount at the dates of the transactions. Surplus funds are kept in the General Fund bank accounts or invested in a high interest savings account.

Amounts due to and from the Lawyers Indemnity Fund are due on demand and have no fixed terms of repayment. The Lawyers Indemnity Fund has authorized a loan facility of up to \$1 million, of which \$nil has been drawn down as at December 31, 2024 (2023 – \$nil), to the General Fund to fund capital expenditures in accordance with the capital plan.

Monthly interest on the Lawyers Indemnity Fund's net loan position with the General Fund is earned at the rate equal to the stated monthly bond yield to maturity earned on the Lawyers Indemnity Fund investment portfolio. The average bond yield for 2024 was 4.13% (2023 – 4.46%). The General Fund's net loan position includes the General Fund's operating balance with the Lawyers Indemnity Fund. The net loan position fluctuates during the year as amounts are transferred between the General Fund and the Lawyers Indemnity Fund to finance ongoing operations.

During 2024, interest revenue of \$834,920 (2023 – \$586,699) was received from General Fund cash balances held by the Lawyers Indemnity Fund.

Other interfund transactions are disclosed elsewhere in these fund financial statements.

9 Related parties

The elected Benchers include licensees drawn from law firms across the province. These law firms may at times be engaged by the Society in the normal course of business. During the year ended December 31, 2024, expenses of \$nil (2023 – \$56,319) recorded at the carrying amount were incurred by the General Fund during the normal course of business with these law firms.

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

10 Financial instruments

The General Funds' financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

The significant financial risks to which the Society is exposed are credit risk and liquidity risk.

a) Credit risk

Cash and accounts receivable expose the Fund to credit risk. Cash is held at Schedule 1 Canadian chartered banks, which minimizes risk. The risk of accounts receivable uncollectibility is low due to receivables being from many individual licensees rather than a few large accounts.

The maximum exposure to credit risk arising from the above-noted items is \$22,889,022 (2023 – \$29,553,307). Credit risk arises from the possibility that a counterparty to an instrument fails to meet its obligations.

b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet all cash outflow requirements. The Fund maintains sufficient resources and reserves to meet its obligations when due. The Fund monitors its cash requirements on an ongoing basis to ensure that there are sufficient resources for operations as well as fund anticipated capital expenditures.

11 Commitments under operating leases

The Society is committed to payments under certain operating leases relating to vehicle costs. Future minimum lease payments required in each of the next three fiscal years are:

	\$
2025	6,641
2026	6,641
2027	2,761
	<hr/>
Total future minimum lease payments	16,043

For the year ended December 31, 2024, an amount of \$6,641 representing payments under operating leases was expensed (2023 – \$6,729).

12 Legal Professions Act transition

On May 16, 2024, the provincial government passed the Legal Professions Act, S.B.C. 2024, c. 26 (Bill 21). The Society is carrying out the transitional provisions of the Act and these are the costs related to the process.

The Law Society of British Columbia – Lawyers Indemnity Fund

Consolidated Fund Financial Statements
December 31, 2024



Independent auditor's report

To the Members of The Law Society of British Columbia

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Law Society of British Columbia – Lawyers Indemnity Fund and its subsidiary (together, the Fund) as at December 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated fund statement of financial position as at December 31, 2024;
- the consolidated fund statement of revenue and expenses for the year then ended;
- the consolidated fund statement of changes in net assets for the year then ended;
- the consolidated fund statement cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

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



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,



as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Fund as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

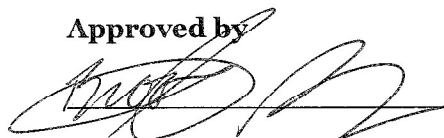
Chartered Professional Accountants

Vancouver, British Columbia
April 14, 2025


The Law Society of British Columbia – Lawyers Indemnity Fund
Consolidated Fund Statement of Financial Position
As at December 31, 2024

	2024 \$	2023 \$
Assets		
Cash (note 2)	1,551,886	1,978,876
Accounts receivable – net of allowance (note 3)	719,496	814,229
Prepaid expenses	1,007,520	761,565
Short-term investments (note 4)	172,411	145,408
Member deductibles (note 8)	1,870,855	1,675,776
Investments (note 5)	283,297,039	255,861,478
Long-term receivable (note 6)	275,137	75,643
	<u>288,894,344</u>	<u>261,312,975</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	288,022	1,487,317
Deferred revenue (note 2)	9,237,637	9,089,405
Due to General Fund (note 9)	23,668,793	16,243,677
Provision for claims (note 8)	87,113,911	72,848,908
Provision for ULAE (note 8)	15,281,000	12,742,000
	<u>135,589,363</u>	<u>112,411,307</u>
Net assets		
Unrestricted net assets	135,804,981	131,401,668
Internally restricted net assets (note 10)	17,500,000	17,500,000
	<u>153,304,981</u>	<u>148,901,668</u>
	<u>288,894,344</u>	<u>261,312,975</u>

Approved by



President



Chair of Finance and Audit Committee

The accompanying notes are an integral part of these consolidated fund financial statements.

The Law Society of British Columbia – Lawyers Indemnity Fund

Consolidated Fund Statement of Revenue and Expenses

For the year ended December 31, 2024

	2024 \$	2023 \$
Revenue		
Annual assessments	18,356,992	17,960,747
Investment income (note 5)	11,930,525	9,842,874
Other income	66,970	87,048
	<u>30,354,487</u>	<u>27,890,669</u>
Indemnity expenses		
Actuary, consultant and investment manager fees	1,874,271	1,973,073
Allocated office rent from General Fund	325,505	325,505
Contribution to program and administrative costs of General Fund	1,709,643	1,654,171
Insurance	1,976,088	1,983,860
Office	361,447	360,467
Provision for settlement of claims (note 8)	28,279,383	7,513,077
Provision for ULAE (note 8)	2,539,000	(1,157,000)
Salaries, wages and benefits	3,613,909	3,327,194
	<u>40,679,246</u>	<u>15,980,347</u>
Loss prevention expenses		
Contribution to co-sponsored program costs of General Fund	1,159,152	1,226,051
	<u>41,838,398</u>	<u>17,206,398</u>
Excess (deficiency) of revenue over expenses before the following	(11,483,911)	10,684,271
Fair value increase in investments (note 5)	<u>16,437,224</u>	<u>11,789,968</u>
	4,953,313	22,474,239
Contribution to Trust Assurance Net Assets in General Fund (note 9)	<u>(550,000)</u>	<u>(430,000)</u>
Excess of revenue over expenses for the year	<u>4,403,313</u>	<u>22,044,239</u>

The accompanying notes are an integral part of these consolidated fund financial statements.

The Law Society of British Columbia – Lawyers Indemnity Fund

Consolidated Fund Statement of Changes in Net Assets

For the year ended December 31, 2024

	2024			2023
	Unrestricted \$	Internally restricted \$	Total \$	Total \$
Net assets – Beginning of year	131,401,668	17,500,000	148,901,668	126,857,429
Excess of revenue over expenses for the year	4,403,313	-	4,403,313	22,044,239
Net assets – End of year	135,804,981	17,500,000	153,304,981	148,901,668

The accompanying notes are an integral part of these consolidated fund financial statements.

The Law Society of British Columbia – Lawyers Indemnity Fund

Consolidated Fund Statement of Cash Flows

For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	4,403,313	22,044,239
Items not affecting cash		
Unrealized gain on investments	(13,654,122)	(11,071,927)
Realized gain on disposal of investments	(2,783,102)	(718,041)
Pooled distributions from investments	(12,678,672)	(10,324,467)
Contribution to the General Fund	550,000	430,000
	(24,162,583)	359,804
(Increase) decrease in assets		
Accounts receivable	94,733	(312,725)
Prepaid expenses	(245,955)	325,760
Short-term investments	(27,003)	51,758
Long-term receivable	(199,494)	57,509
Member deductibles	(195,079)	(176,574)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	(1,199,295)	108,097
Deferred revenue	148,232	209,513
Provision for claims	14,265,003	(6,571,975)
Provision for ULAE	2,539,000	(1,157,000)
	(8,982,441)	(7,105,833)
Investing activities		
Purchase of investments	(736,608)	(2,457,584)
Proceeds from investments	2,416,943	4,195,055
	1,680,335	1,737,471
Financing activities		
Interfund transfers (note 9)	6,875,116	4,080,600
Decrease in cash	(426,990)	(1,287,761)
Cash – Beginning of year	1,978,876	3,266,637
Cash – End of year	1,551,886	1,978,876
Supplementary cash flow information		
Interest paid	834,290	586,699
Interest income received	86,142	105,106

The accompanying notes are an integral part of these consolidated fund financial statements.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

1 Nature of operations

The Law Society of British Columbia (the Society) regulates the legal profession in British Columbia, protecting the public interest in the administration of justice by setting and enforcing standards of professional conduct for lawyers.

The Society's fund covered in these consolidated fund financial statements is for the Lawyers Indemnity Fund (the Fund) and the Society's wholly owned subsidiary, BC Lawyers Indemnity Association (BCLIA) that together comprise the Society's indemnification program. Effective January 1, 1990, the Fund underwrites the program by which professional liability indemnity is provided to eligible members of the Society.

The Society's General Fund is presented in separate fund financials.

The Fund is maintained by the Society pursuant to Section 30 of the Legal Profession Act. BCLIA is not subject to regulation by the BC Financial Services Authority (BCFSA).

Part A

The Society's licensees have limits of coverage for claims and potential claims arising from negligent acts, errors or omissions under Part A of the BC Lawyers Compulsory Professional Liability Indemnification Policy (the Policy) as follows:

	\$	\$
The Fund	995,000	990,000
Deductible – applicable to indemnity payments only	5,000	10,000
Limit per error or related errors		1,000,000
Annual aggregate limit for all errors per covered lawyer		2,000,000

The amount of the member deductible is \$5,000 for each initial claim resulting in an indemnity payment and \$10,000 for each additional claim within a three-year reporting period resulting in an indemnity payment.

The Society and BCLIA have obtained stop-loss insurance in the amount of \$12 million to cover aggregate payments for Parts A and C of the Policy over a specified amount. For 2023 and 2024 claims, the insurer will pay 80% of losses over \$26.5 million and \$27 million, respectively, up to a maximum of \$12 million.

Part B

Effective May 1, 2004, Part B of the Policy provides defined indemnity coverage for dishonest appropriation of money or other property entrusted to and received by covered licensees in their capacity as lawyers and in relation to the provision of professional services.

For the 2024 and 2023 policy years, there is a \$300,000 per claim limit and a \$17.5 million profession-wide annual aggregate limit. There is no deductible payable by the covered lawyer. The Society and BCLIA have

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

obtained insurance in the amount of \$5 million to cover a portion of the annual aggregate limit. This insurance is subject to a \$3 million group deductible and is co-insured 80/20 with the insurer paying 80% of losses over \$3 million to a maximum of \$5 million, and the Fund paying 20%.

Part C

Effective January 1, 2012, Part C of the Policy provides defined indemnity coverage for trust shortages suffered by covered lawyers as a result of relying on fraudulent certified cheques. Effective January 1, 2017, Part C was expanded to include coverage for certain other social engineering frauds.

For the 2024 and 2023 policy years, there is a limit of \$500,000 per claim, and per lawyer and firm annually, a profession-wide annual aggregate of \$2 million, and a default deductible of 35% of the client trust fund shortage (reduced by the amount of any overdraft paid). Coverage, for relying on fraudulent certified cheques, is contingent upon compliance with the Society's client identification and verification rules.

2 Significant accounting policies

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

Basis of consolidation

These consolidated fund financial statements include the accounts of the Fund and BCLIA.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund of the Society from the Fund. Recoveries are based on amounts derived either on percentage of use or the proportion of the Fund's staff compared to the Society's total staff cost.

Cash

Cash comprises cash on hand and held with a Canadian chartered bank.

Fair value of financial instruments

The fair values of cash, accounts receivable, long-term receivable, short-term investments and accounts payable and accrued liabilities correspond to their carrying values due to their short-term nature.

The fair values of the provision for claims correspond to their carrying values because they are discounted.

The interfund balances including the building loan receivable and other interfund transactions are recorded at their carrying amounts which approximate their exchange amounts.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

Short-term investments

Short-term investments consist of pooled money market funds, whose investments have original maturities of less than 90 days. The carrying amount approximates the fair value at the reporting date due to their short-term maturities.

Investments

The Fund's investments consist of units in pooled equity, available for sale equities, bond pooled funds, real estate and mortgage funds, and infrastructure funds and are initially and subsequently measured at fair value. Changes in fair value are recognized in the consolidated fund statement of revenue and expenses in the year incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in the consolidated fund statement of revenue and expenses in the year incurred.

Investment income

Investment income and pooled fund distributions are recorded on an accrual basis. Dividends are recorded on the date of record. Gains and losses realized on the disposal of investments are taken into revenue on the date of disposal.

Provision for claims

The provision for claims and unallocated loss adjustment expenses (ULAE) represents an estimate for all external costs of investigating and settling claims and potential claims reported prior to the date of the consolidated fund statement of financial position. The provision is adjusted as additional information on the estimated amounts becomes known during the course of claims settlement. All changes in estimates are expensed in the current period. The provision for unpaid claims is established according to accepted actuarial practice in Canada. It is carried on a discounted basis and therefore reflects the time value of money. To recognize the uncertainty in establishing best estimates, the Fund includes a provision for adverse deviations (PFAD).

Revenue recognition

The Fund follows the deferral method of accounting for annual assessments. Assessments are billed and received in advance on a calendar-year basis. Accordingly, assessments for the next fiscal year received prior to December 31 have been recorded as deferred revenue for financial reporting purposes and will be recognized as revenue in the next calendar year.

All other revenue is recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated fund financial statements and revenues and expenses for the period reported.

The determination of the provision for claims and ULAE involves significant estimation. Actual results could differ from those estimates and the differences could be material.

Financial instruments

The Fund's financial instruments consist of cash, accounts receivable, long-term receivable, short-term investments, investments and accounts payable and accrued liabilities.

The significant financial risks to which the Fund is exposed are credit risk, market risk, price risk and liquidity risk.

Credit risk

Cash, short-term investments, accounts receivable, long-term receivable, members' share of provision for claims, bond pooled funds, the investment in real estate funds, infrastructure funds, and mortgage funds indirectly expose the Fund to credit risk.

The maximum exposure to credit risk arising from the above-noted items is \$187,151,453 (2023 – \$175,097,645).

Credit risk arises from the possibility that a counterparty to an instrument fails to meet its obligations.

The cash deposits are held only with Schedule I banks. The accounts receivable balances are spread across the broad membership base with no significant exposure to any one individual. The guidelines of the Society's statement of investment policies and procedures (SIPP) mitigate credit risk by ensuring the investments in the bond pooled funds have an adequate minimum credit rating and well-diversified portfolios.

Market risk

Market risk is the potential for loss to the Fund from changes in the value of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices.

The Fund manages market risk by diversifying investments within the various asset classes and investing in pooled funds as set out in the Society's SIPP.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

Price risk

Price risk is the risk that the fair value of the Society's investments will fluctuate due to changes in the market prices, whether these changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. It arises primarily on pooled equity, bond, real estate and mortgage fund investments.

To manage price risk, the Society has guidelines on the diversification and weighting of investments within pooled funds that are set and monitored against the Society's SIPP.

As at December 31, 2024, if pooled fund prices increased or decreased by 10% with all other factors remaining constant, net assets would have increased or decreased by approximately \$28.3 million (2023 – \$25.6 million).

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet all cash outflow requirements. As at December 31, 2024, the sum of the Fund's cash, short-term investments and pooled fund investments, at fair value, which are available to settle the liabilities of the Society as they come due, exceeded the sum of the liabilities by \$149 million or 110% (2023 – \$146 million or 130%).

3 Accounts receivable

	2024 \$	2023 \$
Member deductibles	1,086,812	1,085,561
Allowance for doubtful accounts	(527,451)	(511,451)
Claim recoveries settlements receivable (note 6)	36,333	95,638
GST/HST/PST receivable	123,802	144,481
	<u>719,496</u>	<u>814,229</u>

4 Short-term investments

Short-term investments comprise pooled money market funds with the following balances:

	2024 \$	2023 \$
Money market funds	<u>172,411</u>	<u>145,408</u>

5 Investments

	2024 \$	2023 \$
Investments – at fair value	<u>283,297,039</u>	<u>255,861,478</u>

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

2024				
	Carrying cost \$	Gross unrealized gains \$	Gross unrealized losses \$	Estimated fair value \$
Bonds				
Pooled Funds	36,425,454	-	(3,740,953)	32,684,501
Equities				
Canadian Pooled Funds	26,041,350	6,860,902	-	32,902,252
International Pooled Funds	26,375,521	41,182,461	-	67,557,982
	52,416,871	48,043,363	-	100,460,234
Real Estate Fund	14,521,175	8,019,337	-	22,540,512
Mortgage Fund	52,688,830	-	(67,232)	52,621,598
Infrastructure	67,245,528	7,744,666	-	74,990,194
	134,455,533	15,764,003	(67,232)	150,152,304
	223,297,858	63,807,366	(3,808,185)	283,297,039
2023				
	Carrying cost \$	Gross unrealized gains \$	Gross unrealized losses \$	Estimated fair value \$
Bonds				
Pooled Funds	32,310,302	-	(4,209,775)	28,100,527
Equities				
Canadian Pooled Funds	21,776,886	5,887,332	-	27,664,218
International Pooled Funds	26,791,379	30,922,526	-	57,713,905
	48,568,265	36,809,858	-	85,378,123
Real Estate Fund	14,521,175	8,168,175	-	22,689,350
Mortgage Fund	49,974,218	-	(730,723)	49,243,495
Infrastructure	64,186,241	6,263,742	-	70,449,983
	128,681,634	14,431,917	(730,723)	142,382,828
	209,560,201	51,241,775	(4,940,498)	255,861,478

The effective yield on the bonds, mortgages and equities portion of the investment portfolio was 3.30% (2023 – 4.04%).

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

Investment risk management

The Society has adopted policies that establish the guidelines for all investment activities. These guidelines apply to the investment funds controlled by the Fund.

The Society's overall investment philosophy is to maximize the long-term real rate of return subject to an acceptable degree of risk.

The Society's long-term funding requirements and relatively low level of liquidity dictate a portfolio with a mix of fixed income, equities and infrastructure, as well as real estate and mortgages. The Society invests in bonds, equities, infrastructure, real estate and mortgages through pooled funds.

Net investment income

	2024 \$	2023 \$
Interest on cash	86,143	105,106
Pooled distributions	12,678,672	10,324,467
Net interfund loan interest expense (note 9)	(834,290)	(586,699)
	<u>11,930,525</u>	<u>9,842,874</u>

Fair value changes in investments

	2024 \$	2023 \$
Realized gain on disposal of investments	2,783,102	718,041
Unrealized gain on investments measured at fair value	13,654,122	11,071,927
	<u>16,437,224</u>	<u>11,789,968</u>

6 Long-term receivable

During the year ended December 31, 2024, current receivable accounts of \$36,333 (2023 – \$95,638) and long-term receivables of \$275,137 (2023 – \$75,643) were recorded for Part A and B claims recoveries settlements. These claims recoveries are backed by enforceable settlement agreements and have demonstrated consistent collections.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

7 Accounts payable and accrued liabilities

	2024 \$	2023 \$
Trade payables	151,022	1,294,167
Accrued trade expenses	137,000	191,756
Sales taxes payable	-	1,394
	<u>288,022</u>	<u>1,487,317</u>

8 Provision for claims and unallocated loss adjustment expenses (ULAE)

The changes in unpaid claims recorded in the consolidated fund statement of financial position are as follows:

	2024 \$	2023 \$
Part A Indemnity Coverage		
Provision for claims – Beginning of year	71,685,435	77,613,481
Provision for losses and expenses for claims reported in the current year	25,210,000	22,756,000
Increase (decrease) in estimated losses and expenses for losses reported in prior years	<u>2,302,000</u>	<u>(14,791,000)</u>
Provision for claims liability	<u>99,197,435</u>	<u>85,578,481</u>
(Subtract) add:		
Payments on claims reported in the current year	(1,847,410)	(2,465,601)
Payments on claims reported in prior years	(12,606,084)	(11,981,420)
Recoveries on claims	511,600	334,437
Change in due from members	<u>48,636</u>	<u>219,538</u>
Claim payments – net of recoveries	<u>(13,893,258)</u>	<u>(13,893,046)</u>
Part A Provision for claims – End of year	<u>85,304,177</u>	<u>71,685,435</u>
Part B Indemnity Coverage		
Unpaid claims – Beginning of year	812,851	1,336,756
Provision for (recovery of) losses and expenses for claims	<u>477,203</u>	<u>(501,468)</u>
	<u>1,290,054</u>	<u>835,288</u>
(Subtract) add:		
Payments on claims	(107,676)	(80,997)
Recoveries on claims	<u>65,100</u>	<u>58,560</u>
Claim payments – net of recoveries	<u>(42,576)</u>	<u>(22,437)</u>
Part B Provision for claims – End of year	<u>1,247,478</u>	<u>812,851</u>

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	2024 \$	2023 \$
Part C Indemnity Coverage		
Provision for claims – Beginning of year	350,622	470,646
Provision for losses and expenses for claims reported in the current year	290,180	49,545
	<u>640,802</u>	<u>520,191</u>
(Subtract) add:		
Payments on claims	(224,989)	(126,605)
Change in due from members	146,443	(42,964)
	<u>(78,546)</u>	<u>(169,569)</u>
Part C Provision for claims – End of Year	<u>562,256</u>	<u>350,622</u>
Total provision for Parts A, B and C Indemnity Coverage	<u>87,113,911</u>	<u>72,848,908</u>

The determination of the provision for unpaid claims and adjustment expenses requires the estimation of two major variables or quanta, being development of claims and the effect of discounting, to establish a best estimate of the value of the respective liability or asset.

The provision for unpaid claims and adjustment expenses is an estimate subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, significant changes in severity of claims from historical trends, the timing of claims payments and future rates of investment return. The estimates are principally based on the Fund's historical experience. Methods of estimation have been used that the Society believes produce reasonable results given current information.

The provision for ULAE is an actuarially determined estimate of the Fund's future operational costs relating to the administration of claims and potential claims reported up to the consolidated fund statement of financial position date.

The Fund discounts its best estimate of claims provisions at a rate of interest of 5.35% (2023 – 5.38%). The Fund determines the discount rate based upon the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments.

A 1% increase in the discount rate will have a favourable impact on the discounted claims liability of \$2.741 million (2023 – \$2.162 million) and a 1% decrease in the discount rate will have an unfavourable impact on the discounted claims liability of \$2.849 million (2023 – \$2.458 million).

To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience, and to provide greater comfort that the actuarial estimates are adequate to pay future claims liabilities, the Fund includes a PFAD in some assumptions relating to claims development and future investment income. The PFAD is selected based on guidance from the Canadian Institute of Actuaries.

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The effects of discounting and the application of PFAD, net of members' share of provision for claims, are as follows (in thousands of dollars):

	2024 \$	2023 \$
Undiscounted	100,245	83,648
Effect of present value	(14,671)	(12,270)
PFAD	14,950	12,537
	<hr/> 100,524	<hr/> 83,915
	2024 \$	2023 \$
Provision for claims	87,114	72,849
Provision for ULAE	15,281	12,742
Member deductibles	(1,871)	(1,676)
	<hr/> 100,524	<hr/> 83,915

Claims development tables (net of members' share of provision for claims)

A review of the historical development of the Fund's insurance estimates provides a measure of the Fund's ability to estimate the ultimate value of claims. The top half of the following tables illustrates how the Fund's estimate of total undiscounted claims costs for each year has changed at successive year-ends. The bottom half of the tables reconciles the cumulative claims to the amount appearing in the consolidated fund statement of financial position.

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Part A indemnity claims (in thousands of dollars)

Claims year	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Total \$
Estimate of undiscounted ultimate claims costs											
At end of claims year	15,090	16,720	15,720	19,767	18,522	17,877	16,896	20,338	22,966	25,514	
One year later	16,590	15,440	15,791	19,219	17,580	17,353	18,034	18,833	22,672		
Two years later	15,210	15,956	16,005	18,802	17,062	16,963	14,766	17,519			
Three years later	13,153	14,548	14,807	15,664	15,577	14,108	15,184				
Four years later	12,775	13,875	13,387	16,070	13,217	14,820					
Five years later	10,385	12,761	13,492	15,504	14,802						
Six years later	10,266	11,777	13,496	16,916							
Seven years later	9,777	11,988	12,695								
Eight years later	9,375	11,884									
Nine years later	9,670										
Current estimate of cumulative claims	9,670	11,884	12,695	16,916	14,802	14,820	15,184	17,519	22,672	25,514	161,676
Cumulative payments to date	(8,943)	(10,931)	(9,965)	(11,560)	(11,263)	(8,000)	(7,859)	(6,438)	(4,857)	(1,952)	(81,768)
Undiscounted unpaid liability	727	953	2,730	5,356	3,539	6,820	7,325	11,081	17,815	23,562	79,908
Undiscounted unpaid liability in respect of 2014 and prior years											3,456
Undiscounted unallocated loss adjustment expense reserve											14,925
Total undiscounted unpaid claims liability											98,289
Discounting adjustment (includes claim PFAD)											267
Total discounted unpaid claims liability											<u>98,556</u>

Part B indemnity claims (in thousands of dollars)

Claims year	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Total \$
Estimate of undiscounted ultimate claims costs											
At end of claims year	41	274	1,588	135	152	93	196	2,680	34	720	
One year later	184	134	1,764	126	51	84	366	2,415	34		
Two years later	180	62	1,696	178	49	133	370	2,390			
Three years later	157	65	2,039	166	70	5	373				
Four years later	120	70	2,043	263	83	5					
Five years later	101	65	2,404	259	79						
Six years later	107	80	2,390	248							
Seven years later	106	79	2,234								
Eight years later	95	79									
Nine years later	95										
Current estimate of cumulative claims	95	79	2,234	248	79	5	373	2,390	34	720	6,257
Cumulative payments to date	(93)	(65)	(2,112)	(161)	(55)	(5)	(373)	(2,120)	(34)	(35)	(5,053)
Undiscounted unpaid liability	2	14	122	87	24	-	-	270	-	685	1,204
Undiscounted unpaid liability in respect of 2014 and prior years											31
Undiscounted unallocated loss adjustment expense reserve											217
Total undiscounted unpaid claims liability											1,452
Discounting adjustment (includes claim PFAD)											14
Total discounted unpaid claims liability											<u>1,466</u>

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Part C indemnity claims (in thousands of dollars)

Claims year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of undiscounted ultimate claims costs											
At end of claims year	-	-	-	65	650	91	56	-	177	361	
One year later	-	-	423	65	723	91	365	-	177		
Two years later	-	-	923	65	692	91	354	-			
Three years later	-	-	923	65	522	-	312				
Four years later	-	-	923	65	522	-					
Five years later	-	-	423	65	522						
Six years later	-	-	423	65							
Seven years later	-	-	423								
Eight years later	-	-									
Nine years later	-										
Current estimate of cumulative claims	-	-	423	65	522	-	312	-	177	361	1,860
Cumulative payments to date	-	-	(423)	(65)	(522)	-	(258)	-	(177)	(11)	(1,456)
Undiscounted unpaid liability	-	-	-	-	-	-	54	-	-	350	404
Undiscounted unpaid liability in respect of 2014 and prior years											-
Undiscounted unallocated loss adjustment expense reserve											99
Total undiscounted unpaid claims liability											503
Discounting adjustment (includes claim PFAD)											(1)
Total discounted unpaid claims liability											502

The expected maturity of the unpaid claims provision is analyzed below (undiscounted and gross of reinsurance):

(in thousands of dollars)	Less than one year \$	One to two years \$	Two to three years \$	Three to four years \$	Four to five years \$	Over five years \$	Total \$
December 31, 2024	25,099	19,805	15,037	11,003	7,976	21,325	100,245
December 31, 2023	21,011	16,769	13,104	9,048	6,361	17,355	83,648

Role of the actuary

With respect to preparation of these consolidated fund financial statements, the actuary is required to carry out a valuation of the Fund's policy liabilities and to provide an opinion regarding their appropriateness as at the date of the consolidated fund statement of financial position. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations. The scope

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of the valuation encompasses the policy liabilities, which consist of a provision for unpaid claims and adjustment expenses. In performing the valuation of the liabilities for these contingent future events, which are by their very nature inherently variable, the actuary makes assumptions as to future loss ratios, trends, expenses and other contingencies, taking into consideration the circumstances of the Fund and the nature of the indemnity policies.

The valuation is based on projections for settlement of reported claims and claim adjustment expenses. It is certain that actual claims and claim adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

The actuary relies on data and related information prepared by the Fund. The actuary also analyzes the Fund's assets for its ability to support the policy liabilities.

9 Interfund transactions

The operations of the Fund and the General Fund are administered by the management of the Society. Balances between the funds arise from transactions of an operating nature and are recorded at exchange amounts at the dates of the transactions. Amounts due to and from the General Fund are due on demand and have no fixed terms of repayment. The Fund has authorized a loan facility of up to \$1 million, of which \$nil has been drawn down as at December 31, 2024 (2023 – \$nil), to the General Fund to fund capital expenditures in accordance with the capital plan.

Pursuant to reserve policy, \$550,000 of the net assets was transferred to trust assurance during 2024 (2023 – \$430,000).

Monthly interest on the Fund's net loan position with the General Fund is paid from the Fund at a rate equal to the stated monthly bond yield to maturity earned on the Fund's investment portfolio. The average bond yield for 2024 was 4.13% (2023 – 4.46%). The Fund's net loan position as at December 31, 2024 was \$23.1 million (2023 – \$16.2 million) which includes other operating balances with the General Fund. This net loan position fluctuates during the year as amounts are transferred between the General Fund and the Fund to finance ongoing operations.

During the year ended December 31, 2024, interest of \$834,290 (2023 – \$586,699) was paid on General Fund cash balances held by the Fund.

Other interfund transactions are disclosed elsewhere in these consolidated fund financial statements.

10 Internally restricted net assets

The Benchers have allocated one annual, profession-wide, policy limit of \$17.5 million (2023 – \$17.5 million) of the net assets to Part B coverage for dishonest appropriation of trust funds or property.

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11 Related parties

The elected Benchers include members drawn from law firms across the province. These law firms may at times be engaged by the Society in the normal course of business. During the year ended December 31, 2024, expenses of \$7,200 (2023 – \$11,962) were incurred by the Fund with these law firms.