

**Law Society**  
*of British Columbia*

**Financial Statements**  
**2025**

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## **2025 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 2025 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 2025, 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 2026 practice and indemnity fees and reviewing corresponding budgets
- Reviewing the enterprise risk management plan

### **General Fund**

#### **Overview**

Overall, the 2025 results for the General Fund resulted in an operating deficit of \$2.54 million. Total revenues increased due to increases in revenues and fees in all areas, other than interest income which was lower due to declining interest rates. Operating expenses increased this year due to an increase in staffing and compensation costs, information technology upgrades, and costs related to the transition to Legal Professions BC, which were partially offset by lower general administration, tribunal and building costs.

#### **Revenues**

Overall General Fund revenue was \$41.5 million, \$2.4 million (6%) higher than 2024.

Practice fee revenue was \$29.1 million, \$368,000 (1.3%) higher than last year, with the number of full-time equivalent practicing lawyers for the year at 14,964, compared to 14,618 in 2024, an increase of 2.4%.

Trust administration fee revenue increased due to an increase in the TAF to \$20 per client matter, along with increased trust transactions compared to the prior year.

PLTC enrollment fees were \$1.98 million, up \$128,000 with 682 students during the year.

E-filing revenue was \$1.1 million, \$200,000 higher than 2024, with higher transactions and a new contract.

Fines, penalties and recoveries were \$870,000, up \$374,000 due to higher custodianships recoveries and trust reporting penalties.

Investment income was \$1.5 million, a decrease of \$416,000 due to declining interest rates.

The Lawyers Indemnity Fund contributed \$3.0 million to the General Fund for co-sponsored program costs and general program and administrative expenses attributable to operations.

## **Expenses**

Overall, 2025 General Fund operating expenses were \$45.7 million, \$4.1 million (10%) higher than 2024.

Bencher governance and support expenses increased by \$225,000 due to costs for the Rule of Law advertising campaign and higher travel and meeting costs.

Communications costs remained consistent to the prior year.

Information services costs increased by \$306,000 with increased software maintenance costs, cyber security measures, additional staffing and market-based wage adjustments.

Education and Practice expenses increased \$1.5 million, with additional compensation costs, partially offset by a decrease in external counsel fees.

General and administration costs decreased \$0.5 million due to lower compensation costs.

Policy and legal services expenses decreased by \$44,000 with lower hearing costs.

Regulation expenses increased by \$2.8 million due to higher external counsel fees and litigation costs, along with higher staffing levels and market-based salary adjustments.

Occupancy costs were \$182,500 lower due to lower building maintenance and lower property taxes.

Other unbudgeted expenses \$1.2 million related to transition to Legal Professions Act and \$115,000 for CanLII GenAI project funding.

## **Net Assets**

Overall, the General Fund remains financially sound. As of December 31, 2025, net assets in the General Fund were \$36.8 million. The net assets include \$5.5 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 trust assurance reserve policy, \$350,000 of net assets were transferred to the Lawyers Indemnity Fund. After this transfer, there is \$2.2 million in trust assurance reserves.

The remaining General Fund net assets are \$29.1 million, of which \$12.2 million is invested in capital assets and \$16.9 million is working capital.

## **Lawyers Indemnity Fund**

### **Overview**

The Lawyers Indemnity Fund (LIF) remains in a strong financial position at the end of 2025.

### **Revenues**

The 2025 indemnity assessments resulted in total revenue of \$18.7 million, \$0.4 million higher than 2024.

The 2025 investment income (including the fair value increase) was \$23 million, with a return of 7.4% for the year. This return was below the benchmark return of 10.4% due to the underperformance of the equity and real estate funds. The bonds, mortgages and Infrastructure fund performance was above market.

### **Expenses**

The 2025 Lawyers Indemnity Fund operating costs - not including claims payments and unallocated loss adjustment expenses - were \$13.4 million, compared to \$11 million in 2024. The increase is mainly due to market-based salary adjustments, along with increased investment management fees and administrative costs.

The net actuarial provision for settlement of claims for the year was \$13.1 million, a decrease of \$15 million from 2024. This positive development from 2024 to 2025 is due to fewer reports, a lower reserve average, and positive reductions in reserves for existing claims.

### **Net Assets**

At December 31, 2025, LIF remains in a solid financial position, with net assets of \$169.7 million, which includes \$17.5 million internally restricted for Part B claims, leaving \$152.2 million in unrestricted net assets.

# **The Law Society of British Columbia – General Fund**

Fund Financial Statements  
**December 31, 2025**



# Independent auditor's report

To the Members of The Law Society of British Columbia

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## Our opinion

In our opinion, the accompanying fund 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, 2025 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, 2025;
- 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 fund financial statements, which include significant accounting policies and other explanatory information.

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## 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 fund financial statements* section of our report.

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

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 fund financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Other information**

Our opinion on the fund 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 fund 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 fund 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.

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### **Responsibilities of management and those charged with governance for the fund financial statements**

Management is responsible for the preparation and fair presentation of the fund 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 fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the fund 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.

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## **Auditor's responsibilities for the audit of the fund financial statements**

Our objectives are to obtain reasonable assurance about whether the fund 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 fund 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 fund 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 fund 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 fund financial statements, including the disclosures, and whether the fund 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

May 7, 2026

# The Law Society of British Columbia – General Fund

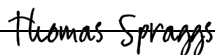
## Fund Statement of Financial Position

As at December 31, 2025

	2025 \$	2024 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 2)	28,174,068	21,992,678
Unclaimed trust funds (note 2)	2,604,617	2,257,578
Accounts receivable and prepaid expenses (note 3)	2,562,731	3,604,876
Due from Lawyers Indemnity Fund (note 7)	19,310,906	23,668,793
	52,652,322	51,523,925
<b>Non-current assets</b>		
Cambie Street property – net (note 4 (a))	9,465,890	10,307,219
Other property and equipment – net (note 4 (b))	1,550,944	1,557,847
Intangible assets – net (note 4 (c))	1,139,594	1,124,897
	64,808,750	64,513,888
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5)	7,780,605	7,081,483
Liability for unclaimed trust funds (note 2)	2,604,617	2,257,578
Deferred revenue (note 2)	17,575,719	15,436,313
Deposits	57,455	57,505
	28,018,396	24,832,879
<b>Net assets</b>		
Unrestricted net assets (note 6)	36,790,354	39,681,009
	64,808,750	64,513,888
<b>Commitments under operating leases</b> (note 10)		

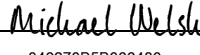
### Approved by

Signed by:



President

DocuSigned by:



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, 2025

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	2025 \$	2024 \$
<b>Net assets – Beginning of year</b>	39,681,009	38,862,472
Net excess (deficiency) of revenue over expenses for the year	<u>(2,890,655)</u>	<u>818,537</u>
<b>Net assets – End of year</b> (note 6)	<u>36,790,354</u>	<u>39,681,009</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, 2025

	2025 \$	2024 \$
<b>Revenue</b>		
Practice fees	29,143,242	28,775,463
Trust administration fees	4,485,188	3,054,695
Enrolment fees	1,987,650	1,859,336
E-filing revenue	1,072,748	871,748
Fines, penalties and recoveries	870,041	496,668
Application fees	754,615	698,678
Investment income (note 7)	1,494,563	1,910,318
Other income	627,697	534,598
Rental revenue	1,045,575	933,311
	41,481,319	39,134,816
<b>Expenses</b>		
Bencher governance and support	1,541,655	1,316,539
Communications and publications	749,441	764,332
Information services	3,102,144	2,796,566
Education and practice		
Credentials	986,113	1,153,334
Licensee services	1,203,193	1,086,971
Licensee assistance programs	87,724	87,371
Practice advice	1,258,782	1,071,781
Practice standards	800,321	554,737
Professional legal training course and education	4,778,665	3,624,322
General and administrative		
Finance	1,572,071	1,577,516
Amortization of other property and equipment	421,808	399,185
Amortization of intangible assets	211,406	188,235
General administration	2,247,559	2,796,681
Human resources	1,004,065	994,720
Records management and library	448,026	437,244
Policy and legal services		
Policy, ethics and tribunal	2,275,014	2,335,040
External litigation and interventions	9,348	1,258
Unauthorized practice	301,302	293,004
Regulation		
Custodianship costs	2,124,579	2,112,797
Discipline	1,977,705	1,872,440
External counsel fees and litigation	3,858,387	1,947,495
Forensic accounting	556,138	733,377
Professional conduct – intake and investigations	8,175,889	7,516,869
Trust assurance	3,531,178	3,288,007
Occupancy costs, net of tenant recoveries	2,510,644	2,693,143
	45,733,156	41,642,964

# The Law Society of British Columbia – General Fund

Fund Statement of Revenue and Expenses ...continued

For the year ended December 31, 2025

	2025 \$	2024 \$
Brought forward	45,733,156	41,642,964
<b>Other expenses under program expense</b>		
CanLII GenAI project funding (note 12)	114,926	-
Legal Professions Act transition costs (note 11)	1,192,874	92,110
	1,307,800	92,110
<b>Costs recovered from Lawyers Indemnity Fund</b>		
Co-sponsored program costs	(1,346,779)	(1,159,152)
Program and administrative costs	(1,672,203)	(1,709,643)
	(3,018,982)	(2,868,795)
	43,907,048	38,866,279
<b>(Deficiency) excess of revenue over expenses before contribution from Lawyers Indemnity Fund</b>	(2,540,655)	268,537
<b>Contribution (to) from Lawyers Indemnity Fund</b> (note 6)	(350,000)	550,000
<b>Net (deficiency) excess of revenue over expenses for the year</b>	(2,890,655)	818,537

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, 2025

	2025 \$	2024 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net (deficiency) excess of revenue over expenses for the year	(2,890,655)	818,537
Items not affecting cash		
Amortization of Cambie Street building and tenant improvements	928,463	1,031,802
Amortization of other property and equipment	421,808	399,185
Amortization of intangible assets	211,406	188,236
Loss on disposal of other property and equipment	1,724	7,390
Contribution to (from) Lawyers Indemnity Fund	350,000	(550,000)
	<u>(977,254)</u>	<u>1,895,150</u>
(Increase) decrease in current assets		
Unclaimed trust funds	(347,040)	(23,420)
Accounts receivable and prepaid expenses	1,042,144	(1,258,930)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	699,122	920,470
Liability for unclaimed trust funds	347,040	23,420
Deferred revenue	2,139,406	168,632
Deposits	(50)	(201)
	<u>2,903,368</u>	<u>1,725,121</u>
<b>Financing activities</b>		
Interfund transfers	<u>4,007,887</u>	<u>(6,875,116)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(503,762)	(934,515)
Purchase of intangible assets	(226,103)	(414,507)
	<u>(729,865)</u>	<u>(1,349,022)</u>
<b>Increase (decrease) in cash</b>	6,181,390	(6,499,017)
<b>Cash – Beginning of year</b>	<u>21,992,678</u>	<u>28,491,695</u>
<b>Cash – End of year</b>	<u>28,174,068</u>	<u>21,992,678</u>
<b>Supplementary cash flow information</b>		
Interest income received	1,494,563	1,876,647

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

For the year ended December 31, 2025

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### 1 Nature of operations

The Law Society of British Columbia – General Fund (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 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

For the year ended December 31, 2025

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### 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

For the year ended December 31, 2025

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### 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 \$1,583,167 (2024 – \$896,344).

### 4 Property, equipment and intangible assets

a) 845 Cambie Street property

	<b>2025</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	4,189,450		4,189,450
Buildings and equipment	18,219,354	(14,162,551)	4,056,802
Leasehold improvements	9,000,799	(7,781,162)	1,219,638
Tenant improvements	478,404	(478,404)	-
	<b>31,888,007</b>	<b>(22,422,117)</b>	<b>9,465,890</b>

	<b>2024</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
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	-
	<b>31,800,873</b>	<b>21,493,654</b>	<b>10,307,219</b>

# The Law Society of British Columbia – General Fund

## Notes to Fund Financial Statements

For the year ended December 31, 2025

b) Other property and equipment

	<b>2025</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	\$	\$
Furniture and fixtures	4,093,346	(3,135,471)	957,874
Computer hardware	2,243,734	(1,654,422)	589,313
Artwork and collectibles	49,161	(45,405)	3,756
Law libraries – at nominal value	1	-	1
	6,386,242	(4,835,298)	1,550,944

	<b>2024</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	\$	\$
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

c) Intangible assets

	<b>2025</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	\$	\$
Computer software	2,909,051	(1,977,830)	931,221
Website development	394,624	(186,251)	208,373
	3,303,675	(2,164,081)	1,139,594

	<b>2024</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	\$	\$
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

# The Law Society of British Columbia – General Fund

## Notes to Fund Financial Statements

For the year ended December 31, 2025

### 5 Accounts payable and accrued liabilities

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

	2025 \$	2024 \$
Advocate	246,781	240,468
Courthouse Libraries BC	1,662,528	1,906,153
Lawyers Assistance Program	584,129	567,853
Pro bono	202,199	196,497
CanLII	373,403	291,207
Federation of Law Societies	232,154	218,404

### 6 Unrestricted net assets

The General Fund unrestricted net assets include \$5,534,754, which has been allocated to capital expenditures in accordance with the capital plan.

The General Fund unrestricted net assets also include \$ 2,198,093 (2024 - \$1,895,753), which has been appropriated for future trust assurance expenses. During the year, \$4,485,188 (2024 - \$3,054,695) in trust administration fee revenue was collected and \$3,531,935 (2024 - \$3,288,007) in trust assurance expenses were incurred.

Pursuant to the reserve policy, \$350,000 of the net assets was transferred to Lawyers Indemnity Fund from Trust Assurance in 2025 (\$550,000 of the net assets was transferred from the Lawyers Indemnity Fund to Trust Assurance).

The remaining General Fund net assets represent \$12,156,527 (2024 - \$12,989,963) invested in capital assets, and working capital of \$ 16,900,323 (2024 - \$20,416,127) combining for a total unrestricted net asset amount of \$29,056,850 (2024 - \$33,406,090).

	(in 000s)					2025	2024
	Invested in capital \$	Working capital \$	Unrestricted \$	Trust assurance \$	Capital plan \$	Total \$	Total \$
Net assets – Beginning of year	12,990	20,416	33,406	1,896	4,379	39,681	38,862
(Deficiency) excess of revenue over expenses before contribution from Lawyers Indemnity Fund	(1,563)	(3,516)	(5,079)	653	1,885	(2,541)	269
Contribution (to) from Lawyers Indemnity Fund	-	-	-	(350)	-	(350)	550
Purchase of intangible and capital assets	730	-	730	-	(730)	-	-
<b>Net assets – End of year</b>	<b>12,157</b>	<b>16,900</b>	<b>29,057</b>	<b>2,199</b>	<b>5,534</b>	<b>36,790</b>	<b>39,681</b>

# The Law Society of British Columbia – General Fund

## Notes to Fund Financial Statements

For the year ended December 31, 2025

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### 7 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, 2025 (2024 – \$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 2025 was 3.61% (2024 – 4.13%). 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 2025, interest revenue of \$859,508 (2024 – \$834,920) was received from General Fund cash balances held by the Lawyers Indemnity Fund.

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

### 8 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, 2025, expenses of \$5,976 (2024 – \$nil) recorded at the carrying amount were incurred by the General Fund during the normal course of business with these law firms.

### 9 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 Law Society of British Columbia – General Fund

## Notes to Fund Financial Statements

For the year ended December 31, 2025

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The maximum exposure to credit risk arising from the above-noted items is \$29,708,932 (2024 – \$22,889,022). 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.

### 10 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 five fiscal years are:

	\$
2026	6,641
2027	2,761
2028 to 2030	-
	<hr/>
Total future minimum lease payments	<u>9,402</u>

For the year ended December 31, 2025, an amount of \$6,641 representing payments under operating leases was expensed (2024 – \$6,641).

### 11 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. For the year ended December 31, 2025, the amount of transitional costs expensed was \$1,192,874 (2024 - \$92,110).

### 12 Commitments under CanLII GenAI project funding

As approved by the Federation of Law Societies Council, CanLII is developing and operating a generative AI search tool. The Society's portion of the cost is \$460,000, \$114,946 funded in 2025 and the balance in 2026.

# **The Law Society of British Columbia – General Fund**

Notes to Fund Financial Statements

For the year ended December 31, 2025

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## **13 Comparative Information**

During the year, the Society recategorized certain expenses to enhance the clarity and consistency of financial statement disclosure. Comparative amounts have been reclassified to conform with the current year presentation.

**The Law Society of British  
Columbia – Lawyers  
Indemnity Fund**

Consolidated Fund Financial Statements  
**December 31, 2025**



# Independent auditor's report

To the Members of The Law Society of British Columbia

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## 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, 2025 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, 2025;
- 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 of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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## 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.

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.

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.

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### **Other information**

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.

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### **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.

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## **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

May 7, 2026

# The Law Society of British Columbia – Lawyers Indemnity Fund

## Consolidated Fund Statement of Financial Position

As at December 31, 2025

	2025 \$	2024 \$
<b>Assets</b>		
<b>Cash</b> (note 2)	758,948	1,551,886
<b>Accounts receivable</b> – net of allowance (note 3)	354,359	719,496
<b>Prepaid expenses</b>	812,741	1,007,520
<b>Short-term investments</b> (note 4)	177,911	172,411
<b>Member deductibles</b> (note 8)	1,806,747	1,870,855
<b>Investments</b> (note 5)	296,312,264	283,297,039
<b>Long-term receivable</b> (note 6)	-	275,137
	<u>300,222,970</u>	<u>288,894,344</u>
<b>Liabilities</b>		
<b>Accounts payable and accrued liabilities</b> (note 7)	244,123	288,022
<b>Deferred revenue</b> (note 2)	9,539,757	9,237,637
<b>Due to General Fund</b> (note 9)	19,310,906	23,668,793
<b>Provision for claims</b> (note 8)	85,483,570	87,113,911
<b>Provision for ULAE</b> (note 8)	15,980,000	15,281,000
	<u>130,558,356</u>	<u>135,589,363</u>
<b>Net assets</b>		
<b>Unrestricted net assets</b>	152,151,614	135,804,981
<b>Internally restricted net assets</b> (note 10)	17,500,000	17,500,000
	<u>169,651,614</u>	<u>153,304,981</u>
	<u>300,222,970</u>	<u>288,894,344</u>

### Approved by

Signed by:  061F1011D32A4B9...	President	DocuSigned by:  046270B5B066480...	Chair of Finance and Audit Committee
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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, 2025

	2025 \$	2024 \$
<b>Revenue</b>		
Annual assessments	18,727,103	18,356,992
Investment income (note 5)	11,322,216	11,930,525
Other income	67,718	66,970
	<u>30,117,037</u>	<u>30,354,487</u>
<b>Indemnity expenses</b>		
Actuary, consultant and investment manager fees	2,185,154	1,874,271
Allocated office rent from General Fund	361,450	325,505
Contribution to program and administrative costs of General Fund	1,672,203	1,709,643
Insurance	1,891,514	1,976,088
Office	605,413	361,447
Provision for settlement of claims (note 8)	13,088,947	28,279,383
Provision for ULAE (note 8)	699,000	2,539,000
Salaries, wages and benefits	3,922,502	3,613,909
	<u>24,426,183</u>	<u>40,679,246</u>
<b>Loss prevention expenses</b>		
Contribution to co-sponsored program costs of General Fund	1,346,779	1,159,152
	<u>25,772,962</u>	<u>41,838,398</u>
<b>Excess (deficiency) of revenue over expenses before the following</b>	4,344,075	(11,483,911)
<b>Fair value increase in investments</b> (note 5)	11,665,557	16,437,224
	<u>16,009,632</u>	<u>4,953,313</u>
<b>Contribution from (to) Trust Assurance Net Assets in General Fund</b> (note 9)	350,000	(550,000)
<b>Excess of revenue over expenses for the year</b>	<u>16,359,632</u>	<u>4,403,313</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, 2025

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			2025	2024
	Unrestricted \$	Internally restricted \$	Total \$	Total \$
<b>Net assets – Beginning of year</b>	135,804,982	17,500,000	153,304,982	148,901,669
Excess of revenue over expenses for the year	16,359,632	-	16,359,632	4,403,313
<b>Net assets – End of year</b>	152,164,614	17,500,000	169,664,614	153,304,982

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, 2025

	2025 \$	2024 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	16,359,632	4,403,313
Items not affecting cash		
Unrealized gain on investments	(9,827,758)	(13,654,122)
Realized gain on disposal of investments	(1,837,799)	(2,783,102)
Pooled distributions from investments	(12,132,436)	(12,678,672)
Contribution from (to) the General Fund	(350,000)	550,000
	<u>(7,101,360)</u>	<u>(24,162,583)</u>
(Increase) decrease in assets		
Accounts receivable	378,136	94,733
Prepaid expenses	194,780	(245,955)
Short-term investments	(5,500)	(27,003)
Long-term receivable	275,137	(199,494)
Member deductibles	64,108	(195,079)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	(43,898)	(1,199,295)
Deferred revenue	302,121	148,232
Provision for claims	(1,630,341)	14,265,003
Provision for ULAE	699,000	2,539,000
	<u>(6,867,818)</u>	<u>(8,982,441)</u>
<b>Investing activities</b>		
Purchase of investments	-	(736,608)
Proceeds from investments	10,782,767	2,416,943
	<u>10,782,767</u>	<u>1,680,335</u>
<b>Financing activities</b>		
Interfund transfers (note 9)	(4,007,887)	6,875,116
<b>Decrease in cash</b>	<b>(792,938)</b>	<b>(426,990)</b>
<b>Cash – Beginning of year</b>	<b>1,551,886</b>	<b>1,978,876</b>
<b>Cash – End of year</b>	<b><u>758,948</u></b>	<b><u>1,551,886</u></b>
<b>Supplementary cash flow information</b>		
Interest paid	859,508	834,290
Interest income received	49,288	86,142

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

**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 included 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	OR	990,000
Deductible – applicable to indemnity payments only	5,000	OR	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 2024 and 2025 claims, the insurer will pay 80 % of losses over \$27 million and \$30 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 2025 and 2024 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

obtained insurance in the amount of \$5 million to cover a portion of the annual aggregate limit. This insurance is subject to a \$4 million group deductible and is co-insured 80/20 with the insurer paying 80% of losses over \$4 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 2025 and 2024 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 are recorded at their carrying amounts which approximate their exchange amounts.

### **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.

## **Use of estimates**

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that 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 \$191,574,832 (2024 – \$187,151,453).

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.

### Price risk

Price risk is the risk that the fair value of the Society's investments will fluctuate due to changes in 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, 2025, if pooled fund prices increased or decreased by 10% with all other factors remaining constant, net assets would have increased or decreased by approximately \$30 million (2024 – \$28.3 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, 2025, 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 \$167 million or 128% (2024 – \$149 million or 110%).

## 3 Accounts receivable

	2025 \$	2024 \$
Member deductibles	814,603	1,086,812
Allowance for doubtful accounts	(583,891)	(527,451)
Claim recoveries settlements receivable (note 6)	75,500	36,333
GST/HST/PST receivable	48,147	123,802
	<u>354,359</u>	<u>719,496</u>

## 4 Short-term investments

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

	2025 \$	2024 \$
Money market funds	<u>177,911</u>	<u>172,411</u>

## 5 Investments

	2025 \$	2024 \$
Investments – at fair value	<u>296,312,264</u>	<u>283,297,039</u>

	<b>2025</b>			
	<b>Carrying cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>
	\$	\$	\$	\$
Bonds				
Pooled Funds	36,827,234	-	(3,772,193)	33,055,041
Equities				
Canadian Pooled Funds	27,812,957	8,396,616	-	36,209,573
International Pooled Funds	26,144,178	45,468,647	-	71,612,825
	53,957,135	53,865,263	-	107,822,398
Real Estate Fund	11,326,562	8,114,001		19,440,563
Mortgage Fund	55,424,666	-	(75,463)	55,349,204
Infrastructure	68,949,728	11,695,330	-	80,645,058
	135,700,957	19,809,331	(75,463)	155,434,825
	226,485,325	73,674,594	(3,847,656)	296,312,264
				<b>2024</b>
	<b>Carrying cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>
	\$	\$	\$	\$
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

The effective yield on the bonds, mortgages and equities portions of the investment portfolio was 3.43% (2024 – 3.30%).

## 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 warrant 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

	2025 \$	2024 \$
Interest on cash	49,288	86,143
Pooled distributions	12,132,436	12,678,672
Net interfund loan interest expense (note 9)	(859,508)	(834,290)
	<u>11,322,216</u>	<u>11,930,525</u>

## Fair value changes in investments

	2025 \$	2024 \$
Realized gain on disposal of investments	1,837,799	2,783,102
Unrealized gain on investments measured at fair value	9,827,758	13,654,122
	<u>11,665,557</u>	<u>16,437,224</u>

## 6 Long-term receivable

During the year ended December 31, 2025, current receivable accounts of \$62,500 (2024 – \$36,333) and long-term receivables of \$nil (2024 – \$275,137) were recorded for Part A and B claim recoveries on settlements made. These claim recoveries are backed by enforceable settlement agreements and have demonstrated consistent collections.

## 7 Accounts payable and accrued liabilities

	2025 \$	2024 \$
Trade payables	11,010	151,022
Accrued trade expenses	232,775	137,000
Sales taxes payable	338	-
	<u>244,123</u>	<u>288,022</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:

	2025 \$	2024 \$
<b>Part A Indemnity Coverage</b>		
Provision for claims – Beginning of year	85,304,177	71,685,435
Provision for losses and expenses for claims reported in the current year	20,168,000	25,210,000
Increase (decrease) in estimated losses and expenses for losses reported in prior years	<u>(7,076,000)</u>	<u>2,302,000</u>
Provision for claims liability	<u>98,396,177</u>	<u>99,197,435</u>
(Subtract) add:		
Payments on claims reported in the current year	(1,272,623)	(1,847,410)
Payments on claims reported in prior years	(13,061,416)	(12,606,084)
Recoveries on claims	92,559	511,600
Change in due from members	<u>95,069</u>	<u>48,636</u>
Claim payments – net of recoveries	<u>(14,146,411)</u>	<u>(13,893,258)</u>
Part A Provision for claims – End of year	<u>84,249,766</u>	<u>85,304,177</u>
<b>Part B Indemnity Coverage</b>		
Unpaid claims – Beginning of year	1,247,478	812,851
Provision for losses and expenses for claims	<u>127,089</u>	<u>477,203</u>
	<u>1,374,567</u>	<u>1,290,054</u>
(Subtract) add:		
Payments on claims	(148,744)	(107,676)
Recoveries on claims	<u>7,292</u>	<u>65,100</u>
Claim payments – net of recoveries	<u>(141,452)</u>	<u>(42,576)</u>
Part B Provision for claims – End of year	<u>1,233,115</u>	<u>1,247,478</u>

	2025 \$	2024 \$
<b>Part C Indemnity Coverage</b>		
Provision for claims – Beginning of year	562,256	350,622
(Recovery) provision for losses and expenses for claims reported in the current year	(130,142)	290,180
	<u>432,114</u>	<u>640,802</u>
(Subtract) add:		
Payments on claims	(272,248)	(224,989)
Change in due from members	(159,177)	146,443
	<u>(431,425)</u>	<u>(78,546)</u>
Part C Provision for claims – End of Year	<u>689</u>	<u>562,256</u>
<b>Total provision for Parts A, B and C Indemnity Coverage</b>	<u><b>85,483,570</b></u>	<u><b>87,113,911</b></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 rights and liabilities affecting solicitors' malpractice exposures, 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 to the date of the consolidated fund statement of financial position.

The Fund discounts its best estimate of claims provisions at a rate of interest of 4.96% (2024 – 5.35%). 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 \$2.711 million (2024 – \$2.741 million) and a 1% decrease in the discount rate will have an unfavourable impact on the discounted claims liability of \$2.891 million (2024 – \$2.849 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.

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

	<b>2025</b>	<b>2024</b>
	\$	\$
Undiscounted	98,289	100,245
Effect of present value	(13,571)	(14,671)
PFAD	14,939	14,950
	<hr/>	<hr/>
	99,656	100,524
	<hr/>	<hr/>
	<b>2025</b>	<b>2024</b>
	\$	\$
Provision for claims	85,483	87,114
Provision for ULAE	15,980	15,281
Member deductibles	(1,807)	(1,871)
	<hr/>	<hr/>
	99,656	100,524
	<hr/>	<hr/>

**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.



### Part C indemnity claims (in thousands of dollars)

Claims year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	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	253		
Two years later	-	923	65	692	91	354	-	177			
Three years later	-	923	65	522	-	312	-				
Four years later	-	923	65	522	-	259					
Five years later	-	423	65	522	-						
Six years later	-	423	65	522							
Seven years later	-	423	65								
Eight years later	-	423									
Nine years later	-										
Current estimate of cumulative claims	-	423	65	522	-	259	-	177	253	-	1,699
Cumulative payments to date	-		(65)	(522)	-	(258)	-	(177)	(253)	-	(1,698)
Undiscounted unpaid liability	-	-	-	-	-	1	-	-	-	-	1
Undiscounted unpaid liability in respect of 2016 and prior years											-
Undiscounted unallocated loss adjustment expense reserve											-
<b>Total undiscounted unpaid claims liability</b>											1
Discounting adjustment (includes claim PFAD)											-
<b>Total discounted unpaid claims liability</b>											1

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, 2025	24,776	19,320	14,937	10,633	7,844	20,778	98,288
December 31, 2024	25,099	19,805	15,037	11,003	7,976	21,325	100,245

### 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

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, 2025 (2024 – \$nil), to the General Fund to fund capital expenditures in accordance with the capital plan.

Pursuant to reserve policy, \$350,000 of the net assets was transferred from trust assurance during 2025 (2024 – (\$550,000)).

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 2025 was 3.61% (2024 – 4.13%). The Fund's net loan position as at December 31, 2025 was \$19.3 million (2024 – \$23.1 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, 2025, interest of \$859,508 (2024 – \$834,290) 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 (2024 – \$17.5 million) of the net assets to Part B coverage for dishonest appropriation of trust funds or property.

## **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, 2025, expenses of \$28,611 (2024 – \$7,200) were incurred by the Fund with these law firms.