

PRO BONO LAW ONTARIO

(a charitable organization)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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AUDITORS' REPORT

We have audited the accompanying financial statements of Pro Bono Law Ontario, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

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

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

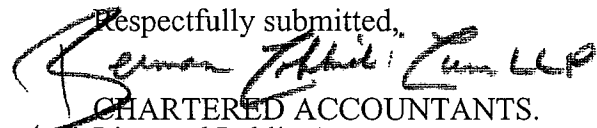
As is the case of most charitable organizations in receipt of funds by donations and fundraising, verification of such items was impractical beyond accounting for amounts recorded in the accounts of the organization, and we were not able to determine whether adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

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

Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and fundraising referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Pro Bono Law Ontario as at December 31, 2011, and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario.
March 26, 2012.

Respectfully submitted,

CHARTERED ACCOUNTANTS.
Licensed Public Accountants.

PRO BONO LAW ONTARIO

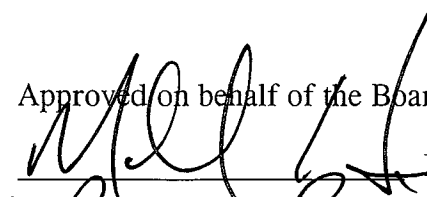
(a charitable organization)

STATEMENT OF FINANCIAL POSITION

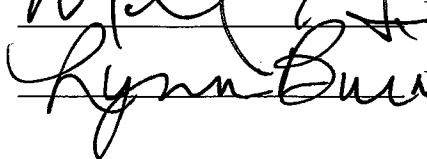
DECEMBER 31, 2011

| | 2011 | 2010 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash and short term investments | \$ 285,530 | \$ 225,911 |
| Grants receivable (note 3) | 112,910 | 283,333 |
| Prepaid expenses and deposits | <u>121,387</u> | <u>59,829</u> |
| | 519,827 | 569,073 |
| Capital - at cost less accumulated amortization (note 4) | <u>67,589</u> | <u>78,913</u> |
| | <u>\$ 587,416</u> | <u>\$ 647,986</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 30,666 | \$ 176,971 |
| Deferred revenue (note 5) | 50,577 | 54,395 |
| Deferred capital contributions (note 6) | <u>43,743</u> | <u>33,850</u> |
| | 124,986 | 265,216 |
| NET ASSETS | | |
| Net assets invested in capital | 67,589 | 78,913 |
| Unrestricted net assets (note 7) | 375,516 | 303,857 |
| Restricted assets (note 8) | <u>19,325</u> | <u>-</u> |
| | 462,430 | 382,770 |
| | <u>\$ 587,416</u> | <u>\$ 647,986</u> |

Approved on behalf of the Board:



Director



Director

Lease Commitments (note 9)

The accompanying notes form an integral part of these financial statements.

PRO BONO LAW ONTARIO

(a charitable organization)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2011

| | Invested in capital assets | Unrestricted | Restricted (note 8) | 2011 Total | 2010 Total |
|--|-------------------------------|-------------------|------------------------|-------------------|-------------------|
| BALANCE - Beginning of year | \$ 78,913 | \$ 303,857 | \$ - | \$ 382,770 | \$ 382,783 |
| - Excess (deficiency) of revenues over expenses | (46,088) | 106,423 | 19,325 | 79,660 | (13) |
| - Purchase of capital assets | <u>34,764</u> | <u>(34,764)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| BALANCE - End of year | \$ <u>67,589</u> | \$ <u>375,516</u> | \$ <u>19,325</u> | \$ <u>462,430</u> | \$ <u>382,770</u> |

The accompanying notes form an integral
part of these financial statements.

PRO BONO LAW ONTARIO

(a charitable organization)

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

| | Unrestricted | Restricted (note 8) | 2011 Total | 2010 Total |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
| REVENUES | | | | |
| Operating grants | | | | |
| - Law Foundation of Ontario | \$ 812,412 | - | \$ 812,412 | \$ 822,856 |
| - Legal Aid Ontario | 100,000 | - | 100,000 | 250,000 |
| Grants | | | | |
| Law Foundation of Ontario | | | | |
| - Law Help Ontario - Ottawa | 181,096 | - | 181,096 | 95,164 |
| - Data Systems Upgrade | 49,225 | - | 49,225 | - |
| - PBLO at Sick Kids | 25,564 | - | 25,564 | 88,531 |
| - Fundraising | 16,883 | - | 16,883 | - |
| Law Society of Upper Canada | | | | |
| - PBLO at Sick Kids | 73,500 | - | 73,500 | - |
| - Rent Subsidy | 50,000 | - | 50,000 | 50,000 |
| Ontario Trillium Foundation | 26,640 | - | 26,640 | 601 |
| Donations | 81,481 | 19,325 | 100,806 | 1,238 |
| Other | 124 | - | 124 | 192 |
| | <u>1,416,925</u> | <u>19,325</u> | <u>1,436,250</u> | <u>1,308,582</u> |
| EXPENSES | | | | |
| Salaries and benefits | 886,029 | - | 886,029 | 855,876 |
| Rent | 122,018 | - | 122,018 | 124,305 |
| Computer costs | 120,443 | - | 120,443 | 58,217 |
| Office and general | 68,475 | - | 68,475 | 63,740 |
| Communications and promotion | 25,350 | - | 25,350 | 36,776 |
| Professional fees | 24,607 | - | 24,607 | 29,998 |
| Consulting fees | 16,936 | - | 16,936 | 23,184 |
| Travel | 11,876 | - | 11,876 | 29,546 |
| Photocopying | 8,910 | - | 8,910 | 9,274 |
| Evaluations | 7,000 | - | 7,000 | - |
| Meals and catering | 5,069 | - | 5,069 | 8,648 |
| Insurance | 5,622 | - | 5,622 | 5,736 |
| Training | 4,715 | - | 4,715 | 20,449 |
| Volunteer expenses | 3,452 | - | 3,452 | - |
| Ontario Trillium Foundation - Seed Funding | - | - | - | 601 |
| Amortization | 46,088 | - | 46,088 | 42,245 |
| | <u>1,356,590</u> | <u>-</u> | <u>1,356,590</u> | <u>1,308,595</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ <u>60,335</u> | \$ <u>19,325</u> | \$ <u>79,660</u> | \$ <u>(13)</u> |

The accompanying notes form an integral part of these financial statements.

PRO BONO LAW ONTARIO

(a charitable organization)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Cash flow from operating activities: | | |
| Excess (deficiency) of revenues over expenditures | \$ <u>79,660</u> | \$ <u>(13)</u> |
| Adjustment for: | | |
| Amortization of capital assets | <u>46,088</u> | <u>42,245</u> |
| Changes in non-cash working capital: | | |
| (Increase) decrease in grants receivable | 170,424 | (24,870) |
| (Increase) decrease in prepaid expenses and sundry assets | (61,558) | 1,724 |
| Increase (decrease) in accounts payable and accrued liabilities | (146,304) | <u>42,533</u> |
| | <u>(37,438)</u> | <u>19,387</u> |
| Cash flow from operating activities: | <u>88,310</u> | <u>61,619</u> |
| Cash flow for investment activities: | | |
| Purchase of capital assets | (34,764) | (58,131) |
| Cash flow from financing activities: | | |
| Increase (decrease) in deferred revenue and contributions | <u>6,073</u> | (19,138) |
| Net increase (decrease) in cash and cash equivalents | 59,616 | (15,650) |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>225,911</u> | <u>241,561</u> |
| CASH AND CASH EQUIVALENTS - End of year | \$ <u>285,530</u> | \$ <u>225,911</u> |

The accompanying notes form an integral part of these financial statements.

PRO BONO LAW ONTARIO

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. PURPOSE OF THE ORGANIZATION

Pro Bono Law Ontario is a registered charitable organization, registration number 8774524512 RR0001 and is exempt from income taxes under Section 149 of the Income Tax Act. The organization is incorporated without share capital under the Ontario Corporation Act.

The objective of the organization is to promote access to the justice system in Ontario by creating and promoting opportunities for lawyers to provide pro bono legal services to persons of limited means.

The organization receives funding from the Law Foundation of Ontario, Legal Aid Ontario and The Law Society of Upper Canada. The Law Foundation of Ontario together with Legal Aid Ontario provides core funding for the organization's operations. The Law Society of Upper Canada is providing funding to subsidize rent in the amount of \$50,000.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Receipts for all grants are recorded in these financial statements on the accrual basis. Therefore, the amounts recorded in these financial statements may or may not correspond to the actual amounts received during the fiscal year.

(b) Amortization of the capital assets has been provided at the following annual rates, consistent with those of the prior year:

| | | |
|-------------------|---|----------------------------|
| Leaseholds | - | over the term of the lease |
| Computers | - | 30% of unamortized cost |
| Furniture | - | 20% of unamortized cost |
| Equipment | - | 20% of unamortized cost |
| Computer software | - | 50% of unamortized cost |

(c) Funds received for the acquisition of capital assets are deferred in the accounts and amortized on the same basis as the related capital assets.

(d) The organization does not account for contributed materials and services.

(e) The organization considers its capital to be the balance maintained in its Unrestricted Net Assets. The primary objective of the organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the organization with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The organization is not subject to any externally imposed requirements of its capital.

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PRO BONO LAW ONTARIO

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

...Continued

3. GRANTS RECEIVABLE

Contributions receivable consist of amounts owned to the organization including the following:

| | 2011 | 2010 |
|-------------------------------|-------------------|-------------------|
| The Law Foundation of Ontario | \$ 112,910 | \$ 200,000 |
| Legal Aid Ontario | <u>-</u> | <u>83,334</u> |
| | <u>\$ 112,910</u> | <u>\$ 283,334</u> |

4. CAPITAL ASSETS

| | Cost | Accumulated Amortization | 2011 Net | 2010 Net |
|-------------------|-------------------|-----------------------------|------------------|------------------|
| Leaseholds | \$ 68,105 | \$ 64,230 | \$ 3,875 | \$ 24,178 |
| Computers | 90,378 | 59,674 | 30,704 | 19,258 |
| Furniture | 35,228 | 17,670 | 17,558 | 21,947 |
| Equipment | 24,465 | 14,844 | 9,621 | 12,026 |
| Computer software | <u>17,159</u> | <u>11,328</u> | <u>5,831</u> | <u>1,504</u> |
| | <u>\$ 235,335</u> | <u>\$ 167,746</u> | <u>\$ 67,589</u> | <u>\$ 78,913</u> |

5. DEFERRED REVENUE

Deferred revenue represent grants received relating to future periods and consists of the following:

| | 2011 | 2010 |
|---------------------------------|------------------|------------------|
| The Law Society of Upper Canada | \$ 29,000 | \$ 12,500 |
| Law Foundation of Ontario | 21,577 | 15,255 |
| Ontario Trillium Foundation | <u>-</u> | <u>26,640</u> |
| | <u>\$ 50,577</u> | <u>\$ 54,395</u> |

Continued...

PRO BONO LAW ONTARIO

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

...Continued

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represents the unamortized amount of contributions received for the purchase of capital assets. The changes in deferred capital contributions are as follows:

| | 2011 | 2010 |
|--|------------------|------------------|
| Balance - Beginning of year | \$ 33,850 | \$ 56,708 |
| Contributions received during the year | 34,763 | - |
| Amortization of capital contributions | <u>(24,873)</u> | <u>(22,858)</u> |
| Balance - End of year | \$ <u>43,740</u> | \$ <u>33,850</u> |

7. UNRESTRICTED NET ASSETS

Unrestricted net assets represents unspent funding which is to be used in the future to accommodate the mandate of the organization.

8. RESTRICTED ASSETS

These funds were donated by members of The Advocates Society to be used for PBLO's Children's hospital's project and to launch a new office in London.

9. COMMITMENTS

(a) The organization has committed to rental payments for its premises. Minimum lease payments over the remaining term of the lease are as follows:

| | |
|--------|---------|
| 2012 - | 111,098 |
| 2013 - | 113,354 |
| 2014 - | 5,810 |

(b) The organization has committed to rental payments for equipment. Minimum lease payments over the remaining term of the lease are as follows:

| | |
|--------|--------|
| 2012 - | 10,679 |
| 2013 - | 4,308 |

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of cash and short-term investments, grants receivable and accounts payable and accrued liabilities approximate their fair values because of the relatively short period to maturity of the instruments or because they are receivable or payable on demand.