

PRO BONO LAW ONTARIO

(a charitable organization)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT 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, 2014, 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 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.

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

Basis for Qualified Opinion

As is the case of most 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.

Qualified 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, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2014, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Respectfully submitted,


CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
April 2, 2015

PRO BONO LAW ONTARIO


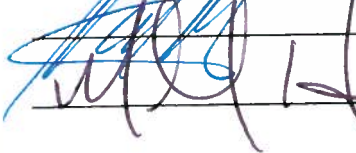
(a charitable organization)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

| | 2014 | 2013 |
|----------------------------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash and short term investments | \$ 441,599 | \$ 348,900 |
| Grants receivable (note 3) | 100,000 | 100,000 |
| Prepaid expenses and deposits | <u>118,619</u> | <u>93,551</u> |
| | 660,218 | 542,451 |
| Capital - at cost less accumulated amortization (note 4) | <u>30,489</u> | <u>33,897</u> |
| | <u>\$ 690,707</u> | <u>\$ 576,348</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 217,267 | \$ 73,227 |
| Deferred revenue (note 5) | 59,168 | 12,500 |
| Deferred capital contributions (note 6) | <u>15,385</u> | <u>21,536</u> |
| | 291,820 | 107,263 |
| NET ASSETS | | |
| Net assets invested in capital | 30,489 | 33,897 |
| Unrestricted net assets (note 7) | 368,398 | 397,321 |
| Restricted net assets (note 8) | <u>-</u> | <u>37,867</u> |
| | <u>398,887</u> | <u>469,085</u> |
| | <u>\$ 690,707</u> | <u>\$ 576,348</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, 2014

| | Invested in capital assets | Unrestricted | Restricted (note 8) | 2014 Total | 2013 Total |
|----------------------------------------|-------------------------------|-------------------|------------------------|-------------------|-------------------|
| BALANCE - Beginning of year | \$ 33,897 | \$ 397,321 | \$ 37,867 | \$ 469,085 | \$ 579,786 |
| - Deficiency of revenues over expenses | (10,999) | (21,332) | (37,867) | (70,198) | (110,701) |
| - Purchase of capital assets | <u>7,591</u> | <u>(7,591)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| BALANCE - End of year | \$ <u>30,489</u> | \$ <u>368,398</u> | \$ <u>-</u> | \$ <u>398,887</u> | \$ <u>469,085</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, 2014

| | Unrestricted | Restricted (note 8) | 2014 Total | 2013 Total |
|----------------------------------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| REVENUES | | | | |
| Operating grants | | | | |
| - Law Foundation of Ontario | \$ 800,000 | \$ - | \$ 800,000 | \$ 800,000 |
| - Deferred capital contribution | 6,151 | - | 6,151 | 8,949 |
| Law Society of Upper Canada | | | | |
| - Operational | 75,000 | - | 75,000 | 75,000 |
| - Rent Subsidy | 50,000 | - | 50,000 | 50,000 |
| Donations and fundraising | 246,816 | - | 246,816 | 294,750 |
| Atkinson Award (McMaster) | 3,332 | - | 3,332 | - |
| Other | <u>2,109</u> | <u>-</u> | <u>2,109</u> | <u>3,262</u> |
| | <u>1,183,408</u> | <u>-</u> | <u>1,183,408</u> | <u>1,231,961</u> |
| EXPENSES | | | | |
| ✓ Salaries and benefits | 885,467 | 33,323 | 918,790 | 861,230 |
| ✓ Rent | 92,473 | - | 92,473 | 125,454 |
| ✓ Office and general | 57,329 | 92 | 57,421 | 68,225 |
| ✓ Computer costs | 40,765 | - | 40,765 | 58,523 |
| ✓ Communications and promotion | 28,126 | 2,831 | 30,957 | 17,905 |
| ✓ Professional fees | 29,025 | - | 29,025 | 32,651 |
| ✓ Fundraising | 18,870 | - | 18,870 | 87,278 |
| ✓ Travel | 15,601 | 1,621 | 17,222 | 15,832 |
| ✓ Photocopying | 11,093 | - | 11,093 | 16,043 |
| ✓ Training | 8,893 | - | 8,893 | 2,887 |
| ✓ Meals and catering | 8,183 | - | 8,183 | 7,492 |
| ✓ Consulting fees | 6,423 | - | 6,423 | 19,904 |
| ✓ Insurance | 2,100 | - | 2,100 | 1,836 |
| ✓ Volunteer expenses | 392 | - | 392 | - |
| Moving expense | - | - | - | 15,148 |
| ✓ Amortization | <u>10,999</u> | <u>-</u> | <u>10,999</u> | <u>12,254</u> |
| | <u>1,215,739</u> | <u>37,867</u> | <u>1,253,606</u> | <u>1,342,662</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ <u>(32,331)</u> | \$ <u>(37,867)</u> | \$ <u>(70,198)</u> | \$ <u>(110,701)</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, 2014

| | 2014 | 2013 |
|-----------------------------------------------------------|-------------------|--------------------|
| Cash flow from operating activities: | | |
| Excess (deficiency) of revenues over expenditures | <u>\$(70,198)</u> | <u>\$(110,701)</u> |
| Adjustment for: | | |
| Amortization of capital assets | <u>10,999</u> | <u>12,254</u> |
| Changes in non-cash working capital: | | |
| Increase in grants receivable | - | (41,547) |
| Increase in prepaid expenses and sundry assets | (25,068) | (35,326) |
| Increase in accounts payable and accrued liabilities | <u>144,040</u> | <u>14,647</u> |
| | <u>118,972</u> | <u>(62,226)</u> |
| Cash flow from operating activities: | <u>59,773</u> | <u>(160,673)</u> |
| Cash flow from investing activities: | | |
| Purchase of capital assets | <u>(7,591)</u> | <u>-</u> |
| Cash flow from financing activities: | | |
| Increase (decrease) in deferred revenue and contributions | <u>40,517</u> | <u>(8,949)</u> |
| Net increase (decrease) in cash and cash equivalents | 92,699 | (169,622) |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>348,900</u> | <u>518,522</u> |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 441,599</u> | <u>\$ 348,900</u> |

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

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PRO BONO LAW ONTARIO

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit organizations in Part III of the CICA Handbook.

(a) 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 and The Law Society of Upper Canada. The Law Foundation of 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.

(b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid bank accounts and marketable investments with an original maturity date of 90 days or less.

(c) GRANTS RECEIVABLE

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.

(d) AMORTIZATION

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

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

Continued...

PRO BONO LAW ONTARIO

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

...Continued

(e) AMORTIZATION ON CAPITAL CONTRIBUTIONS

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

(f) CONTRIBUTED MATERIALS AND SERVICES

The organization does not account for contributed materials and services.

(g) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires the organization's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

(h) REVENUE RECOGNITION

The organization uses the deferral method in accounting for contributions. Accordingly, contributions subject to externally imposed restrictions are initially recorded as deferred revenue and are subsequently recognized as revenue in the period in which the related expenses are incurred.

(i) FINANCIAL INSTRUMENTS

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

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

Financial liabilities measured at amortized cost include accounts payable, deferred revenue and capital contributions.

2. FINANCIAL INSTRUMENTS

(a) Liquidity Risk

Liquidity risk is a risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization is exposed to liquidity risk arising primarily from the requirement to pay its payables and government remittances. The organization's ability to meet these obligations depends on the receipt of funds from its operations, which it monitors closely.

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PRO BONO LAW ONTARIO

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

...Continued

(b) **Other Risks**

The organization believes that it is not exposed to significant interest, currency, credit, market or other price risks arising from holding financial instruments.

3. GRANTS RECEIVABLE

Grants receivable consist of amounts owing to the organization as follows:

| | 2014 | 2013 |
|-------------------------------|-------------------|------------------|
| The Law Foundation of Ontario | \$ <u>100,000</u> | \$ <u>58,453</u> |

4. CAPITAL ASSETS

| | Cost | Accumulated Amortization | 2014 Net | 2013 Net |
|-------------------|-------------------|-----------------------------|------------------|------------------|
| Computers | \$ 97,969 | \$ 82,124 | \$ 15,845 | \$ 15,045 |
| Furniture | 35,228 | 26,238 | 8,990 | 11,237 |
| Equipment | 24,465 | 19,539 | 4,926 | 6,157 |
| Computer software | <u>17,159</u> | <u>16,431</u> | <u>728</u> | <u>1,458</u> |
| | \$ <u>174,821</u> | \$ <u>144,332</u> | \$ <u>30,489</u> | \$ <u>33,897</u> |

5. DEFERRED REVENUE

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

| | 2014 | 2013 |
|---------------------------------|------------------|------------------|
| Atkinson Award (McMaster) | \$ 46,668 | \$ - |
| The Law Society of Upper Canada | <u>12,500</u> | <u>12,500</u> |
| | \$ <u>59,168</u> | \$ <u>12,500</u> |

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:

| | 2014 | 2013 |
|---------------------------------------|------------------|------------------|
| Balance - Beginning of year | \$ 21,536 | \$ 30,485 |
| Amortization of capital contributions | <u>(6,151)</u> | <u>(8,949)</u> |
| Balance - End of year | \$ <u>15,385</u> | \$ <u>21,536</u> |

Continued...

PRO BONO LAW ONTARIO

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

...Continued

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. LEASE COMMITMENTS

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

| | |
|--------|-------------------|
| 2015 - | \$ 83,868 |
| 2016 - | 86,244 |
| 2017 - | 86,928 |
| 2018 - | <u>56,862</u> |
| | <u>\$ 313,902</u> |