

**PRO BONO LAW ONTARIO**

**(a charitable organization)**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015**

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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, 2015, and the statements of financial position, changes in net assets, operations 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, 2015, 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  
March 3, 2016

**PRO BONO LAW ONTARIO**

**(a charitable organization)**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

	2015	2014
<b>ASSETS</b>		
Current		
Cash and short term investments	\$ 232,493	\$ 441,599
Grants receivable (note 3)	112,014	100,000
Prepaid expenses and deposits	<u>92,099</u>	<u>118,619</u>
	436,606	660,218
Capital - at cost less accumulated amortization (note 4)	<u>22,588</u>	<u>30,489</u>
	<u>\$ 459,194</u>	<u>\$ 690,707</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 108,342	\$ 217,267
Deferred revenue (note 5)	102,620	59,168
Deferred capital contributions (note 6)	<u>11,093</u>	<u>15,385</u>
	<u>222,055</u>	<u>291,820</u>
<b>NET ASSETS</b>		
Net assets invested in capital	22,588	30,489
Unrestricted net assets (note 7)	<u>214,551</u>	<u>368,398</u>
	<u>237,139</u>	<u>398,887</u>
	<u>\$ 459,194</u>	<u>\$ 690,707</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

**PRO BONO LAW ONTARIO**

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**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2015**

	Invested in capital assets	Unrestricted	2015 Total	2014 Total
<b>BALANCE - Beginning of year</b>	\$ 30,489	\$ 368,398	\$ 398,887	\$ 469,085
- Deficiency of revenues over expenses	<u>(7,901)</u>	<u>(153,847)</u>	<u>(161,748)</u>	<u>(70,198)</u>
<b>BALANCE - End of year</b>	\$ <u>22,588</u>	\$ <u>214,551</u>	\$ <u>237,139</u>	\$ <u>398,887</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, 2015**

	2015	2014
<b>REVENUES</b>		
Operating grants		
- Law Foundation of Ontario	\$ 800,000	\$ 800,000
- Deferred capital contribution	4,292	6,151
Law Society of Upper Canada		
- Operational	-	75,000
- Rent Subsidy	50,000	50,000
Donations and fundraising	174,533	246,816
The Advocates Society (Inmate Duty Council Appeals Project)	70,133	-
London's Children Project	66,234	-
Atkinson Award (McMaster)	46,668	3,332
Connect Legal	27,474	-
Sick Kids Foundation	21,000	-
Other	<u>1,300</u>	<u>2,109</u>
	<u>1,261,634</u>	<u>1,183,408</u>
<b>EXPENSES</b>		
Salaries and benefits	1,063,056	918,790
Rent	74,703	92,473
Office and general	66,252	57,421
Inmate Duty Council Appeals Project - donation in kind	42,247	-
Professional fees	29,880	29,025
Inmate Duty Council Appeals Project operating expenses	27,748	-
Computer costs	25,486	40,765
Travel	23,876	17,222
Communications and promotion	12,289	30,957
Fundraising	12,015	18,870
Photocopying	10,831	11,093
Moving expense	10,725	-
Meals and catering	6,488	8,183
Training	4,836	8,893
Insurance	2,201	2,100
Consulting fees	2,148	6,423
Workshop	700	-
Volunteer expenses	-	392
Amortization	<u>7,901</u>	<u>10,999</u>
	<u>1,423,382</u>	<u>1,253,606</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ <u>(161,748)</u></b>	<b>\$ <u>(70,198)</u></b>

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, 2015**

	2015	2014
Cash flow from operating activities:		
Excess (deficiency) of revenues over expenditures	\$ <u>(161,748)</u>	\$ <u>(70,198)</u>
Adjustment for:		
Amortization of capital assets	<u>7,901</u>	<u>10,999</u>
Changes in non-cash working capital:		
Increase in grants receivable	(12,014)	-
Decrease (increase) in prepaid expenses and sundry assets	26,520	(25,068)
(Decrease) increase in accounts payable and accrued liabilities	<u>(108,926)</u>	<u>144,040</u>
	<u>(94,420)</u>	<u>118,972</u>
Cash flow from operating activities:	<u>(248,267)</u>	<u>59,773</u>
Cash flow from investing activities:		
Purchase of capital assets	<u>-</u>	<u>(7,591)</u>
Cash flow from financing activities:		
Increase in deferred revenue and contributions	<u>39,161</u>	<u>40,517</u>
Net increase in cash and cash equivalents	(209,106)	92,699
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>441,599</u>	<u>348,900</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 232,493</u>	<u>\$ 441,599</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, 2015

### 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 CPA 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

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**PRO BONO LAW ONTARIO**

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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

...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.

**(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.

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**PRO BONO LAW ONTARIO**

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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

...Continued

**3. GRANTS RECEIVABLE**

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

	2015	2014
The Law Foundation of Ontario	\$ 100,000	\$ 100,000
Sick Kids Foundation	7,000	-
Connect Legal	<u>5,014</u>	<u>-</u>
	<u>\$ 112,014</u>	<u>\$ 100,000</u>

**4. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2015 Net	2014 Net
Computers	\$ 97,969	\$ 86,878	\$ 11,091	\$ 15,845
Furniture	35,228	28,037	7,191	8,990
Equipment	24,465	20,524	3,941	4,926
Computer software	<u>17,159</u>	<u>16,794</u>	<u>365</u>	<u>728</u>
	<u>\$ 174,821</u>	<u>\$ 152,233</u>	<u>\$ 22,588</u>	<u>\$ 30,489</u>

**5. DEFERRED REVENUE**

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

	2015	2014
TAS Inmate Duty Council Appeals Project	\$ 85,120	\$ -
The Law Society of Upper Canada	12,500	12,500
Sponsorship (2016 Pro Bono Conference)	5,000	-
Atkinson Award (McMaster)	<u>-</u>	<u>46,668</u>
	<u>\$ 102,620</u>	<u>\$ 59,168</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:

	2015	2014
Balance - Beginning of year	\$ 15,385	\$ 21,536
Amortization of capital contributions	<u>(4,292)</u>	<u>(6,151)</u>
Balance - End of year	<u>\$ 11,093</u>	<u>\$ 15,385</u>

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**PRO BONO LAW ONTARIO**

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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

...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. AMALGAMATION**

Subsequent to the year end on February 3, 2016, Pro Bono Law Ontario amalgamated with Connect Legal to form a new charitable organization called Pro Bono Ontario.

**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:

2016 -	\$ 79,008
2017 -	79,360
2018 -	83,320
2019 -	84,377
2020 -	<u>85,356</u>
	\$ <u>411,421</u>