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CHARTERED ACCOUNTANTS

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Pro Bono Law Ontario  
#200 - 258 Adelaide Street, East  
Toronto, Ontario.  
M5A 1N1

December 31, 2012

**Re: Audit of 2012 Financial Statements**

Dear Board Members:

The objective of our audit was to obtain reasonable assurance that the financial statements were free of material misstatement. Our audit was not designed for the purpose of identifying matters to communicate. Accordingly, our audit would not usually identify all such matters that may be of interest to you and it is inappropriate to conclude that no such matters exist.

During the course of our audit of Pro Bono Law Ontario for the year ended December 31, 2012 we did not identify any of the following matters:

- . Misstatements;
- . Fraud;
- . Misstatements that may cause future financial statements to be materially misstated;
- . Illegal or possible illegal acts, or
- . Material weaknesses in internal control.

This communication is prepared solely for your information and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

**BERMAN, LOFCHICK & LUM, LLP**

  
CHARTERED ACCOUNTANTS.  
Licensed Public Accountants.

**PRO BONO LAW ONTARIO**

**(a charitable organization)**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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, 2012, 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.

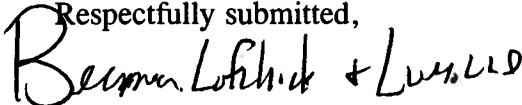
**Basis for Qualified Opinion**

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, 2012, 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.

Toronto, Ontario.  
March 28, 2013.

Respectfully submitted,  
  
CHARTERED ACCOUNTANTS.  
Licensed Public Accountants.

PRO BONO LAW ONTARIO

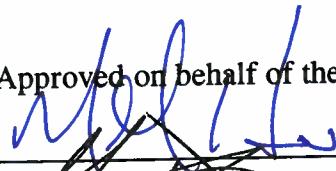
(a charitable organization)

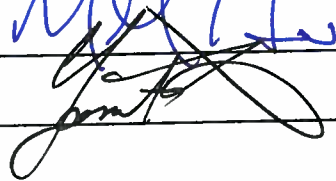
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

	2012	2011 (Unaudited) (note 11)
<b>ASSETS</b>		
Current		
Cash and short term investments	\$ 518,522	\$ 285,530
Grants receivable (note 3)	58,453	112,910
Prepaid expenses and deposits	<u>58,225</u>	<u>121,387</u>
	635,200	519,827
Capital - at cost less accumulated amortization (note 4)	<u>46,151</u>	<u>67,589</u>
	<u>\$ 681,351</u>	<u>\$ 587,416</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 58,580	\$ 30,666
Deferred revenue (note 5)	12,500	50,577
Deferred capital contributions (note 6)	<u>30,485</u>	<u>43,743</u>
	101,565	124,986
<b>NET ASSETS</b>		
Net assets invested in capital	46,151	67,589
Unrestricted net assets (note 7)	457,719	375,516
Restricted assets (note 8)	<u>75,916</u>	<u>19,325</u>
	<u>579,786</u>	<u>462,430</u>
	<u>\$ 681,351</u>	<u>\$ 587,416</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, 2012**

	Invested in capital assets	Unrestricted	Restricted (note 8)	2012 Total	2011 Total (Unaudited) (note 11)
<b>BALANCE - Beginning of year</b>	\$ 67,589	\$ 375,516	\$ 19,325	\$ 462,430	\$ 382,770
- Excess (deficiency) of revenues over expenses 79,660		(21,438)	82,203	56,591	117,356
- Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>BALANCE - End of year</b>	\$ <u>46,151</u>	\$ <u>457,719</u>	\$ <u>75,916</u>	\$ <u>579,786</u>	\$ <u>462,430</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, 2012**

	Unrestricted	Restricted (note 8)	2012 Total	2011 Total (Unaudited) (note 11)
<b>REVENUES</b>				
Operating grants				
- Law Foundation of Ontario	\$ 800,000	-	\$ 800,000	\$ 812,412
- Legal Aid Ontario	-	-	-	100,000
Grants				
Law Foundation of Ontario				
- Law Help Ontario - Ottawa	142,347	-	142,347	181,096
- Data Systems Upgrade	14,953	-	14,953	49,225
- Teen Legal Help Line	15,000	-	15,000	-
- PBLO at Sick Kids	-	-	-	25,564
- Fundraising	-	-	-	16,883
Law Society of Upper Canada				
- PBLO at Sick Kids	16,500	-	16,500	73,500
- Rent Subsidy	50,000	-	50,000	50,000
Ontario Trillium Foundation	-	-	-	26,640
Donations and fundraising	287,438	63,283	350,721	100,806
Other	2,098	-	2,098	124
	<u>1,328,336</u>	<u>63,283</u>	<u>1,391,619</u>	<u>1,436,250</u>
<b>EXPENSES</b>				
Salaries and benefits	811,891	4,271	816,162	889,797
Rent	122,676	-	122,676	122,018
Computer costs	87,674	-	87,674	120,443
Office and general	67,193	366	67,559	68,475
Communications and promotion	32,356	-	32,356	25,350
Professional fees	28,283	-	28,283	24,607
Evaluations	21,580	-	21,580	7,000
Travel	17,017	2,055	19,072	11,876
Teen health	14,972	-	14,972	-
Consulting fees	11,678	-	11,678	16,936
Fundraising	10,633	-	10,633	-
Training	7,862	-	7,862	4,715
Photocopying	6,429	-	6,429	8,910
Meals and catering	2,933	-	2,933	5,069
Insurance	1,836	-	1,836	1,854
Volunteer expenses	1,120	-	1,120	3,452
Amortization	21,438	-	21,438	46,088
	<u>1,267,571</u>	<u>6,692</u>	<u>1,274,263</u>	<u>1,356,590</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ <u>60,765</u></b>	<b>\$ <u>56,591</u></b>	<b>\$ <u>117,356</u></b>	<b>\$ <u>79,660</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, 2012**

	2012	2011 (Unaudited) (note 11)
Cash flow from operating activities:		
Excess (deficiency) of revenues over expenditures	\$ <u>117,356</u>	\$ <u>79,660</u>
Adjustment for:		
Amortization of capital assets	<u>21,438</u>	<u>46,088</u>
Changes in non-cash working capital:		
Decrease in grants receivable	54,457	170,424
(Increase) decrease in prepaid expenses and sundry assets	63,163	(61,558)
Increase (decrease) in accounts payable and accrued liabilities	<u>27,914</u>	<u>(146,304)</u>
	<u>145,534</u>	<u>(37,438)</u>
Cash flow from operating activities:	<u>284,328</u>	<u>88,310</u>
Cash flow for investment activities:		
Purchase of capital assets	<u>-</u>	<u>(34,764)</u>
Cash flow from financing activities:		
Increase (decrease) in deferred revenue and contributions	<u>(51,336)</u>	<u>6,073</u>
Net increase in cash and cash equivalents	232,992	59,616
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>285,530</u>	<u>225,911</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 518,522</u>	<u>\$ 285,530</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, 2012**

**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.

Continued...

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**PRO BONO LAW ONTARIO**

(a charitable organization)

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

...Continued

**3. GRANTS RECEIVABLE**

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

	2012	2011
The Law Foundation of Ontario	\$ <u>58,453</u>	\$ <u>112,910</u>

**4. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2012 Net	2011 Net
Leaseholds	\$ 68,105	\$ 68,105	\$ -	\$ 3,875
Computers	90,378	68,885	21,493	30,704
Furniture	35,228	21,182	14,046	17,558
Equipment	24,465	16,768	7,697	9,621
Computer software	<u>17,159</u>	<u>14,244</u>	<u>2,915</u>	<u>5,831</u>
	<u>\$ 235,335</u>	<u>\$ 189,184</u>	<u>\$ 46,151</u>	<u>\$ 67,589</u>

**5. DEFERRED REVENUE**

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

	2012	2011
The Law Society of Upper Canada	\$ 12,500	\$ 29,000
Law Foundation of Ontario	<u>-</u>	<u>21,577</u>
	<u>\$ 12,500</u>	<u>\$ 50,577</u>

Continued...

**PRO BONO LAW ONTARIO**

**(a charitable organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

...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:

	2012	2011
Balance - Beginning of year	\$ 43,740	\$ 33,850
Contributions received during the year	-	34,763
Amortization of capital contributions	<u>(13,255)</u>	<u>(24,873)</u>
Balance - End of year	<u>\$ 30,485</u>	<u>\$ 43,740</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:

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:

2013 -	\$ 4,308
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**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.

Continued...

**PRO BONO LAW ONTARIO**

**(a charitable organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

...Continued

**11. ASNFPO FIRST TIME ADOPTION**

These financial statements are the first financial statements for which the entity has applied Canadian

Accounting Standards for not-for-profit organizations (ASNFPO), and were prepared in accordance with *CICA Handbook - Accounting*, Part III, Section 1501, First-time adoption.

The organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by *CICA Handbook - Accounting*, Part V, XFI. The adoption of ASNFPO had no impact on the previously reported assets, liabilities and net assets of the organization's, and accordingly, no adjustments have been recorded in the comparative statements of financial position, operations, net assets and cash flows. Certain of the organizations' disclosures included in these financial statements reflect the new disclosure requirements.

Since the previous year's financial statements were audited under Part V of the *CICA Handbook* and not Part III, for comparative purposes we are showing them as unaudited.

**12. CONTINGENT LIABILITY**

The organization is a defendant in a lawsuit by a client. The client is claiming the organization has wrongly withdrawn their services on 5 separate court matters. The client is claiming damages in the amount of \$3,204,092.75 or \$6,408,185.50.

The organization's lawyer cannot determine if a loss will result in the lawsuit.

The Board of Directors is of the opinion that the lawsuit will not result in any damages.