



Annual Report
2012/2013

THE MANITOBA LAW FOUNDATION

LA FONDATION MANITOBAINE DU DROIT

The Honourable Minister of Justice and Attorney General
Department of Justice
Legislative Building
Winnipeg, Manitoba

Dear Minister:

I have the honour to submit to you, in accordance with Subsection 101(1) of *The Legal Profession Act* (the "Act"), the twenty-seventh Annual Report of **The Manitoba Law Foundation**.

Financial Statements for the year ended 31 March 2013 were examined by the Foundation's auditors, PricewaterhouseCoopers LLP, Chartered Accountants, whose report dated the 6th of June 2013 is attached. The Financial Statements were approved by the Foundation's Directors at a meeting of the Board held on the 6th of June 2013.

I am pleased to set out below some comments on the financial results, transactions and other information regarding the fiscal year just completed.

COMPOSITION OF THE BOARD OF DIRECTORS

The affairs of the Foundation are administered by a Board of Directors appointed pursuant to the provisions of Section 91 of the *Act*. Under the provisions of Subsection 93(1) of the *Act* appointments may range from 2 to 4 years and Directors may be reappointed. Directors whose terms expire continue until replaced. Members of the Board during the fiscal period included:

A. Appointed or reappointed by the Minister of Justice

Richard M. Swystun, Chairperson	(to January 2003; retired July 2013)
Garth Smorang, Q.C., Chairperson	(to December 2015)
Elizabeth Beaupre, Vice-Chairperson	(to January 2001; retired July 2013)
Lori Ferguson-Sain, Vice-Chairperson	(to July 2015)
Davis Daycock	(to July 2015)
Terumi Kuwada	(to July 2015)
John Neufeld, Q.C.	(to July 2015)
Catherine Ann Steven	(to January 2003; retired July 2013)

B. Appointed by The Law Society of Manitoba

David Kroft	(to August 2014)
Karen Clearwater	(to August 2012)
Diane Stevenson	(to August 2013)
Helga Van Iderstine	(to August 2012, replacing Karen Clearwater)

C. Appointed by the President of the Manitoba Branch, Canadian Bar Association

Gary Goodwin	(to September 2011)
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D. Dean of the Faculty of Law, University of Manitoba (ex officio)

Lorna Turnbull

MEETINGS OF THE BOARD OF DIRECTORS

Section 98 of the *Act* requires that the Board meet at least four times annually. In the fiscal year ending March 31st, 2013 the Board met in Winnipeg in June, September, November and December 2012 and in February and March 2013.

FINANCIAL HIGHLIGHTS

	2012/13	2011/12	Change
Interest on Lawyers' Trust Accounts	\$1,851,650	\$1,414,611	+ 30.9%
Interest on investment	\$ 222,673	\$ 232,843	- 4.5%
Total Revenues	\$2,074,323	\$1,647,454	+ 20.6%

REVENUES

The Foundation once again saw an increase in IOLTA revenues for the fiscal year, from \$1.4 million in the prior year to approximately \$1.85 million in the 2012/13 fiscal year. This trend is promising, and is primarily the result of continuing strong lawyers' trust account balances. However, law foundations across Canada are still seeing relatively low IOLTA levels due to the continuing low Prime Rate.

IOLTA revenues received by the Foundation are based upon interest rates negotiated with financial institutions on lawyers' trust accounts, and are based on a formula tied to the Prime Rate. As a result of this formula, IOLTA revenues are extremely sensitive to changes in the Prime Rate, and are therefore highly volatile. In this fiscal year as well as the previous fiscal year, floor rates of interest were in place with financial institutions to allow for lawyers' trust accounts to continue paying interest as required by legislation.

In 2012/13, the Prime Rate remained steady at 3% throughout the year, the same as the prior fiscal year. This low interest rate impacted not only the interest received on lawyers' trust accounts, but also impacted the bank interest the Foundation receives on its cash assets. Revenue increases continue to be slow and incremental.

FOUNDATION OPERATIONS

The Foundation employs an Executive Director, Barbara Palace Churchill, and contracts with its Accounting Services Manager, Helen O'Connor, on a fee for service basis. The Foundation maintains office premises at 300-207 Donald Street in a shared space arrangement with the Social Planning Council of Winnipeg. Both the Foundation and SPCW moved to the Donald Street premises in 2011. Operational expenditures for the year were within budget at \$189,125.

INVESTMENTS

In fiscal year 2000-2001, the Foundation entered into a formal relationship with The Winnipeg Foundation for the management of the long-term investments of the Foundation. As a participant in the Consolidated Trust Fund of the Winnipeg Foundation through the Manitoba Law Foundation Managed Fund, the Law Foundation receives an annual income from The Winnipeg Foundation that is determined based on the average market value (calculated over a three year period) of the Managed Fund. Amounts not required for the short-term cash flow needs of the Foundation are held in the Fund. Short-term investments are maintained by the Foundation for its more immediate cash flow needs. These investments can be invested according to the Foundation's investment

policy in fixed return investments through trust investment certificates through the Provincial Treasury or in the Foundation's operating account where it receives interest.

In 2012/13, the Foundation earned \$222,673 in total investment revenue, including \$218,654 in income from the Winnipeg Foundation and the balance in bank interest. This was a small decrease from the prior year's investment revenue, primarily due to the previous years' decreases in the market value of the Winnipeg Foundation Managed Fund because of market conditions. Because the income payment is calculated on the average of the Fund's three years' prior market value, the low values seen during the economic downturn are now being reflected in the income payouts.

The market value of the Winnipeg Foundation Managed Fund went down from \$4.96 million in 2011/12 to \$4.76 million in 2012/13, however, this lower level was primarily due to a draw of \$300,000 taken from the Fund during the fiscal year for cash flow purposes. In the 2008/09 fiscal year, global economic and market conditions resulted in a significant drop in the market value of the Foundation's Fund, from which it is still recovering. Recovery has been incremental and uneven, but is continuing.

RESERVE FOR FUTURE GRANTS

The Foundation maintains a Reserve for future discretionary grants. In March 1999, the Board set the maximum amount for the Reserve at \$3.5 million. In November 2000, the funds that make up the Reserve Fund were invested in units of the Consolidated Trust Fund of The Winnipeg Foundation.

The major purpose of the Reserve is to provide some stability for discretionary granting during periods of revenue reductions. During fiscal years 2003/04, 2004/05 and 2005/06, IOLTA revenues were very low. In order to maintain granting levels for discretionary grantees, the Board authorized that significant amounts be taken from the Reserve in those years.

In 2007/08, the Board completed a review of its Reserve Policy, and determined that the

Reserve level should be based upon a multiple of the Foundation's discretionary granting budget, with a range of one year minimum up to a three year maximum, assessed on a rolling three year basis. Due to the low IOLTA revenue from the prior year, the board had approved use of the Reserve in the amount of \$657,159 in order to maintain discretionary grant levels for 2012/13, leaving the value of the Fund at the end of the fiscal year at \$2,097,201.

REVENUE PROJECTIONS

On the basis of the Prime Rate as of the end of the fiscal year and current economic trends, the Foundation anticipates that revenues from interest on lawyers' trust accounts in the 2013/2014 fiscal year will be stable, but still on the lower end of historical averages for the Foundation. Recovery in IOLTA levels has been slow, and there are no indicators of changes to the Prime Rate on the near horizon. Global economic recovery, which drives Bank of Canada policies regarding interest rates, has been uneven. Economists' current forecasts are not indicating any increases to the Bank of Canada rate prior to 2014 or early 2015.

GRANTS

A. Allocations under the provisions of Subsection 90 of the Act (Mandatory Grants)

The Act provides that the Foundation allocate a portion of interest on lawyers' trust accounts received in the previous fiscal year to The Legal Aid Society of Manitoba (50% or a minimum of \$1,007,629) and The Law Society of Manitoba (16.67% or a minimum of \$335,383) for its educational purposes. In the event that interest on lawyers' trust accounts, after deduction of the Foundation's operating expenses, is not sufficient to pay the statutory minimum, the Act provides for pro rata sharing of net revenues between the two statutory grant recipients. The following grants were paid and accrued in the 2012/2013 fiscal year.

1. *The Legal Aid Services Society of Manitoba*

Disbursed	\$	928,398
Accrued	\$	1,007,629

2. *The Law Society of Manitoba*

Disbursed	\$	309,467
Accrued	\$	335,383

budget is over \$20,000 in total, applicants may apply to the Foundation for a project grant. The application window for project grants is August 31st of each year.

Twelve core discretionary grants, one project grant and three Small Grants Program discretionary grants were approved, as listed here, in accordance with the objects provided in Section 88 of the *Act*.

B. Discretionary Grants under the provisions of Subsection 90(4) of the *Act*

Monies available for discretionary grants consist of the surplus at the end of the previous fiscal year after the deduction for operating expenses, mandatory grants, and, in years when revenues are sufficient and where the Reserve requires it, a contribution to the Foundation's Reserve for future grants. To this may be added grants or portions of grants previously approved and subsequently cancelled or returned unused. The Foundation approved \$969,400 in discretionary grants for the year.

The Small Grants Program was created in 2003/04 as part of the Foundation's discretionary granting. The program is intended to support distinct, time-limited projects (not on-going programs) of up to one year in duration that meet one or more of the Foundation's objectives and that have a total project budget of not more than \$20,000. Applicants can be non-profits or individuals and can be new applicants or existing recipients of Foundation funding. There are two application "windows" for the Program in each year – March 31st and October 31st. The budget amount allocated to the Program by the Board is reviewed annually as part of the general discretionary granting budget review. For those time-limited projects whose duration is over one year, and/or whose

LEGAL EDUCATION

Community Legal Education Association (Manitoba), Incorporated <i>General Operating Grant 12/13</i>	\$ 50,000
Community Legal Education Association (Manitoba), Incorporated <i>Probate Court Guide project</i>	\$ 7,960
Faculty of Law, University of Manitoba <i>General Funding Grant 12/13</i>	\$ 72,000
<i>Pro Bono Students Canada 12/13</i>	\$ 8,000
The Law Society of Manitoba <i>CJ Scott Retirement Continuing Professional Development</i>	\$ 1,440
Native Law Centre, University of Saskatchewan <i>General Operating 12/13</i>	\$ 12,000
Public Interest Law Centre/Manitoba Law Reform Commission (joint project) <i>Engaging Manitoba in Environmental Law</i>	\$ 50,000

LEGAL RESEARCH

Legal Research Institute – University of Manitoba <i>General Operating 12/13</i>	\$ 80,000
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LEGAL AID SERVICES

Community Legal Education Association (Manitoba), Incorporated <i>Law Phone-In, Lawyer Referral Service 12/13</i>	\$ 60,000
Community Unemployed Help Centre <i>General Operating 12/13</i>	\$ 20,000
Legal Aid Manitoba <i>Public Interest Law Centre 12/13</i>	\$180,000
<i>University Legal Aid Clinic 12/13</i>	\$ 86,000
Legal Help Centre (University of Winnipeg) <i>Summer Student Advocacy 2013</i>	\$ 20,000

LAW REFORM

Manitoba Law Reform Commission <i>General Operations 12/13</i>	\$120,000
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LAW LIBRARIES

E. K. Williams Law Library, University of Manitoba <i>Acquisitions and Maintenance 12/13</i>	\$ 54,000
<i>Student Peer Computer Counsellor</i>	\$ 28,000
Manitoba Law Library Inc. <i>Courthouse Libraries 12/13</i>	\$120,000

Additional discretionary grants totaling \$952,000 for fiscal year 2013/2014 were approved conditionally for payment from monies available in that year.

Report from the Chair

This is my first contribution to an Annual Report of The Manitoba Law Foundation, as I assumed my position as Chair of the Board on July 1, 2012.

I wish to begin by acknowledging the tremendous contribution of our past Chair, Richard Swystun, who served in that capacity for over 15 years, ending last June. I was always aware of the immense contribution Richard made to the Foundation, but my past year as Chair has only increased my respect for the time commitment and work that Richard did in service to the Foundation to our community as a whole.

In my first year as Chair, we have experienced slow but steadily improving revenues, which have increased from approximately \$1 Million in 2010/2011 to \$1.4 Million in 2011/2012 to 1.8 Million this past year. This revenue is still at the low end of the scale historically and requires us to dip into our reserve fund in order to meet the grants we have authorized, but the trend is encouraging.

This past year we have added to the traditional number of Board meetings by holding a strategic planning session last November, where we reviewed such important topics as the on-going use of our reserve for future grants, the use of our established but unused access to justice fund, and our philosophy as to granting generally.

This was followed by a special meeting held in early February to develop a mission, a vision, and goals for the Foundation.

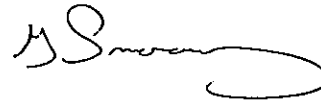
Finally, we met in May to define and develop a strategy regarding grant making, revenue stream and internal processes.

Our developmental work is on-going and we are excited about the process of renewal and revitalization of many important aspects of the Foundation.

We are also pleased that we have developed and recently gone "live" with our Manitoba Law Foundation website. We see this as an important communication tool for our stake holders, grantees and the public generally, concerning the work that we do and the way that we do it.

I would like to take this opportunity to especially thank the current and past Directors of the Foundation for their time, effort, and dedication this past year. It has been a busy year, and my job has been made easier by their significant efforts and time commitment.

I would also like to acknowledge the Foundation's Executive Director, Barbara Palace Churchill, and its Accounting Services Manager, Helen O'Connor, for their hard work and dedication this past year.



Garth H. Smorang
Chairperson
The Manitoba Law Foundation

**The Manitoba Law
Foundation**

Financial Statements
**March 31, 2013, March 31, 2012 and
April 1, 2011**



June 6, 2013

Independent Auditor's Report

To the Board of Directors of The Manitoba Law Foundation

We have audited the accompanying financial statements of The Manitoba Law Foundation (the "Foundation"), which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes which contain 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 audits. We conducted our audits 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 judgment, 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.

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

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Basis for qualified opinion

Note 3 describes the Foundation's revenue recognition policy for interest income on lawyers' trust accounts, which is not in accordance with Canadian accounting standards for not-for-profit organizations. The note indicates that interest income on lawyers' trust accounts is not accrued as earned but rather recorded on a cash basis. Had Canadian accounting standards for not-for-profit organizations been used, interest income on lawyers' trust accounts would be reported on an accrual basis and unallocated revenue and excess of revenues over expenditures for the year would increase by \$54,665 (2012 - \$15,955) and both accrued interest receivable and unrestricted net assets would increase by \$158,817 (2012 - \$104,152; 2011 - \$88,197).

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

The Manitoba Law Foundation

Statements of Financial Position

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Assets			
Cash	187,433	118,081	142,118
Investment (note 4)	4,762,984	4,959,419	5,408,427
Accrued interest receivable	35,716	37,168	39,537
Capital assets (note 5)	4,836	2,672	6,618
	<u>4,990,969</u>	<u>5,117,340</u>	<u>5,596,700</u>
Liabilities			
Grants allocated and undisbursed (Schedule)	<u>1,467,280</u>	<u>1,522,168</u>	<u>1,167,890</u>
Net Assets			
Unrestricted	921,652	338,140	1,167,832
Invested in capital assets	4,836	2,672	6,618
Internally restricted (note 6)			
Reserve for future grants	2,097,201	2,754,360	2,754,360
Access to Justice Fund	500,000	500,000	500,000
	<u>3,523,689</u>	<u>3,595,172</u>	<u>4,428,810</u>
	<u>4,990,969</u>	<u>5,117,340</u>	<u>5,596,700</u>
Commitments (note 8)			

Approved by the Board of Directors

_____ Director _____ Director

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

The Manitoba Law Foundation

Statements of Operations

For the years ended March 31, 2013 and March 31, 2012

	2013 \$	2012 \$
Revenue		
Interest received on lawyers' trust accounts	1,851,650	1,414,611
Investment income (note 7)	426,238	83,835
	<u>2,277,888</u>	<u>1,498,446</u>
Administrative expenditures		
Audit and legal	9,097	7,856
Board fees	13,600	11,950
Courier	710	476
Insurance	1,313	1,307
Meeting expenses	4,353	4,127
Memberships and dues	1,388	1,122
Miscellaneous expense	4,098	904
Office, postage and telephone	10,276	6,368
Personnel	116,120	113,000
Professional development	3,938	-
Rent	18,450	18,000
Travel	5,782	7,693
	<u>189,125</u>	<u>172,803</u>
Excess of revenue over expenditures	2,088,763	1,325,643
Grants allocated during the year (Schedule)	<u>(2,312,412)</u>	<u>(2,172,685)</u>
	(223,649)	(847,042)
Amortization	<u>(3,222)</u>	<u>(3,946)</u>
Excess of expenditures over revenue after allocation of grants	<u>(226,871)</u>	<u>(850,988)</u>

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

The Manitoba Law Foundation

Statements of Changes in Net Assets

For the years ended March 31, 2013 and March 31, 2012

					2013	2012
	Unrestricted \$	Invested in capital assets \$	Internally restricted - Reserve for Future Grants \$ (note 6)	Internally restricted - Access to Justice Fund \$ (note 6)	Total \$	Total \$
Balance - Beginning of year	338,140	2,672	2,754,360	500,000	3,595,172	4,428,810
Excess of expenditures over revenue after allocation of grants	(226,871)	-	-	-	(226,871)	(850,988)
Amortization of capital assets	3,222	(3,222)	-	-	-	-
Purchase of capital assets	(5,386)	5,386	-	-	-	-
Reallocation of small grant	5,388	-	-	-	5,388	17,350
Reallocation of pilot project initiative grant	150,000	-	-	-	150,000	-
Interfund transfer	657,159	-	(657,159)	-	-	-
Balance - End of year	921,652	4,836	2,097,201	500,000	3,523,689	3,595,172

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

The Manitoba Law Foundation

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenue after allocation of grants	(226,871)	(850,988)
Items not affecting cash		
Amortization	3,222	3,946
Unrealized (gain) loss on investments	(203,565)	149,008
Reallocation of small grant	5,388	17,350
Reallocation of pilot project initiative grant	150,000	-
	<u>(271,826)</u>	<u>(680,684)</u>
Net change in non-cash working capital items	(53,436)	356,647
	<u>(325,262)</u>	<u>(324,037)</u>
Investing activities		
Redemption of investments	400,000	300,000
Purchase of capital assets	(5,386)	-
	<u>394,614</u>	<u>300,000</u>
Increase (decrease) in cash	69,352	(24,037)
Cash - Beginning of year	118,081	142,118
Cash - End of year	187,433	118,081

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

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2013

1 Nature of the Foundation

The Manitoba Law Foundation (the "Foundation") was established by Act of the Legislative Assembly of Manitoba and was assented to October 23, 1986. The Foundation receives interest earned on lawyers' trust accounts and disburses grants to organizations specified in the Act and to other organizations at the discretion of the Board of Directors (the "Board").

The objectives of the Foundation, as set out in the Act, are to encourage and promote the following: (a) legal education, (b) legal research, (c) legal aid services, (d) law reform, and (e) the development and maintenance of law libraries.

The Foundation is considered a not-for-profit organization under the provisions of the Income Tax Act of Canada and is exempt from income tax.

2 Basis of presentation

Effective April 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of the CICA Handbook) ("ASNPO") as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The following adjustments were made by the Foundation on transition to ASNPO:

	\$
Excess of expenditures over revenue after allocation of grants for the year ended March 31, 2012, as previously reported	(701,980)
Unrealized loss on investments previously recorded as an adjustment to net assets ⁽¹⁾	<u>(149,008)</u>
Excess of expenditures over revenue after allocation of grants for the year ended March 31, 2012 under ASNPO	<u>(850,988)</u>

- (1) The excess of expenditures over revenue for the year ended March 31, 2012 increased by \$149,008 to reflect the change in fair value of investments. Prior to the transition, changes in fair value of these investments were recorded in the statement of changes in net assets.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2013

3 Significant accounting policies

Interest on lawyers' trust accounts

Under section 90 of *The Legal Profession Act*, statutory grants to the Legal Aid Services Society and the Law Society of Manitoba are to be calculated each year based upon "the total trust account interest received by the Foundation". Due to the statutory provision, interest on lawyers' trust accounts is recognized in revenue on a cash basis as the financial institutions advise the Foundation of the amounts. The Foundation assumes that solicitors who hold funds in trust for or on account of clients comply strictly with Section 50 of *The Legal Profession Act*. This method of recording interest on lawyers' trust accounts on a cash basis is not in accordance with ASNPO, which requires income to be reported on an accrual basis.

Investment

The investment consists of funds invested in The Winnipeg Foundation Consolidation Trust Fund. This investment is recorded at fair value with the unrealized gains or losses recognized in investment income. Purchases and sales of the investment is recognized using settlement date accounting with realized gains or losses recorded in the investment income at that time.

Interest earned on the investment is recorded in investment income on an accrual basis.

Capital assets

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis at rates intended to amortize the assets over their useful lives as follows:

Furniture and fixtures	5 years
Computer hardware and software	3 years

Grants

Pursuant to subsection 90(1) of *The Legal Profession Act*, grants equal to 50% and 16.67% of the interest received on lawyers' trust accounts annually or \$1,007,629 and \$335,383, respectively, whichever is greater, are to be paid to the Legal Aid Services Society of Manitoba and the Law Society of Manitoba, respectively. Provision for such grants is recorded annually in the Foundation's accounts. In the event there is insufficient interest earned on lawyers' trust accounts to meet these commitments, subsection 90(2) of the Act indicates that the grants are to be calculated on a pro rata basis.

Grants other than as described above are recorded in the Foundation's accounts in the year of authorization.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2013

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

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

Financial assets and financial liabilities measured at amortized cost include cash, accrued interest receivable, and grants allocated and undisbursed.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statements of operations and changes in net assets. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

4 Investment

The funds invested in The Winnipeg Foundation Consolidated Trust Fund are comprised of both unrestricted funds and internally restricted funds - reserve for future grants (note 6).

Total interest earned for the year on The Winnipeg Foundation Consolidated Trust Fund was \$218,654 (2012 - \$230,116).

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2013

5 Capital assets

			2013	2012
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer hardware and software	5,386	550	4,836	-
Furniture and fixtures	19,732	19,732	-	2,672
	25,118	20,282	4,836	2,672

6 Internally restricted funds

Reserve for Future Grants

The purpose of the Reserve for Future Grants (the "Reserve") is to provide stability during periods of revenue reductions. The Board's policy is to base the Reserve's level upon a multiple of the discretionary granting budget set by the Board, with a range of a one year minimum up to a three year maximum, assessed on a rolling three year basis. In addition the Board may, at its discretion, transfer additional amounts from unallocated revenue to the Reserve for Future Grants. Reserves are invested in The Winnipeg Foundation Consolidated Trust Fund, as disclosed in note 4.

During the year, an interfund transfer of \$657,159 was made from the reserve fund to the operating fund to meet the amount required for core funding.

Access to Justice Fund

The Access to Justice Fund will be used for targeted initiatives, the parameters of which are being researched and discussed by the Board.

7 Investment income

	2013	2012
	\$	\$
Sundry interest	4,019	2,727
Interest earned on investments (note 4)	218,654	230,116
Unrealized gains (losses) on investments	203,565	(149,008)
	426,238	83,835

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2013

8 Commitments

The Foundation's Board has conditionally approved 2013/2014 discretionary grants in an amount of \$952,000. Should there be insufficient revenue remaining in 2013/2014 after payment of non-discretionary grants and administrative expenditures, these conditionally approved 2013/2014 discretionary grants will be paid firstly from unallocated revenue and secondly from reserve for future grants.

9 Related party transactions

The following are related party transactions and balances with entities related to Board members:

	2013	2012
	\$	\$
Discretionary grants payable to entities related to Board members (included in grants allocated and undisbursed)	54,268	38,068
Discretionary grants allocated during the year to entities related to Board members	628,000	628,000
Small grants allocated during the year to entities related to Board members	71,440	39,820

The discretionary grants allocated as at March 31, 2013 referred to above were made to the following entities:

	\$
Faculty of Law, University of Manitoba	72,000
Legal Research Institute	80,000
E.K. Williams Law Library	82,000
Manitoba Law Library Inc.	120,000
Pro Bono Students Canada (Manitoba)	8,000
Public Interest Law Centre	180,000
University of Manitoba Law Clinic	86,000
	<hr/>
	628,000
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The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2013

The small grants as at March 31, 2013 referred to above were made to:

	\$
The Law Society of Manitoba	
CJ Scott Retirement Continuing Professional Development	1,440
Legal Help Centre (University of Winnipeg)	
2013 Summer Student Funding	20,000
Public Interest Law Centre and Manitoba Law Reform Commission	
Engaging Manitoba in Environmental Law	<u>50,000</u>
	<u>71,440</u>

Under Section 91 of the Legal Profession Act, the Foundation's Board must consist of the following: five appointees of the Minister of Justice, three appointees of the Law Society of Manitoba, one appointee of the Canadian Bar Association, Manitoba Branch, and the Dean of the Faculty of Law or his/her designate. The Act also states at Section 100 that "a director who is associated with a recipient or proposed recipient of a grant from the foundation, and discloses that association to the board, may vote on any question relating to the grant, unless the director has a direct pecuniary interest in the grant."

10 Financial instruments

Interest rate risk

The Foundation is exposed to interest rate risk with respect to interest earned on investments and interest received on lawyers' trust accounts. Accordingly, changes in the prime interest rate will have a positive or negative impact on the Foundation's revenue.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet its financial obligations associated with financial liabilities in full. The Foundation expects to be able to meet its financial obligations in the foreseeable future.

11 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

The Manitoba Law Foundation

Schedule of Grants Allocated and Undisbursed

For the year ended March 31, 2013

	Allocated during fiscal 2013 \$	Undisbursed as at March 31, 2013 \$
Per subsection 90(1) The Legal Profession Act		
Legal Aid Services Society of Manitoba	1,007,629	1,007,629
Law Society of Manitoba	335,383	335,383
	<hr/>	<hr/>
	1,343,012	1,343,012
Per subsection 90(4) The Legal Profession Act (discretionary)		
(a) Legal education		
Community Legal Education Association General Operating 2012/2013	50,000	-
Faculty of Law, University of Manitoba General Funding Grant 2012/2013	72,000	-
Native Law Centre, University of Saskatchewan General operating 2012/2013	12,000	-
Faculty of Law, University of Manitoba Pro Bono Students Canada 2012/2013	8,000	-
(b) Legal research		
Legal Research Institute - University of Manitoba General Operating 2012/2013	80,000	-
(c) Legal aid services		
Legal Aid of Manitoba Public Interest Law Centre 2012/2013	180,000	-
University of Manitoba Law Clinic 2012/2013	86,000	-
Community Legal Education Association Law Phone-In, Lawyer Referral Service 2012/2013	60,000	-
Community Unemployed Help Centre General Operating 2012/2013	20,000	-
(d) Law reform		
Manitoba Law Reform Commission General Operating 2012/2013	120,000	-
(e) Law libraries		
E.K. Williams Law Library* Acquisitions and Maintenance	54,000	54,268
Student Peer Computer Counsellor	28,000	-
Manitoba Law Library Inc. 2012/2013	120,000	-
	<hr/>	<hr/>
Carried forward	2,233,012	1,397,280

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

The Manitoba Law Foundation

Schedules of Grants Allocated and Undisbursed ...continued

For the year ended March 31, 2013

	Allocated during fiscal 2013 \$	Undisbursed as at March 31, 2013 \$
Brought forward	2,233,012	1,397,280
(f) Small grants program		
Community Legal Education Association Probate Court Guide Project	7,960	-
The Law Society of Manitoba CJ Scott Retirement Continuing Professional Development	1,440	-
Legal Help Centre (University of Winnipeg) 2013 Summer Student Funding	20,000	20,000
(g) Project Grants		
Public Interest Law Centre and Manitoba Law Reform Commission (joint project) Engaging Manitoba Environmental Law	50,000	50,000
	<u>2,312,412</u>	<u>1,467,280</u>

* E.K. Williams Law Library - Acquisitions and maintenance

The balance of \$54,268 which was undisbursed as at March 31, 2013 consists of the following amounts which were held back from previously allocated grants for technology replacement at E.K. Williams' request:

	\$
2013	16,200
2012	18,900
2011	18,900
2010	268
	<u>54,268</u>

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