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The logo features a horizontal line at the top, from which two vertical lines descend to form the top of two triangular pans. The pans are filled with a solid black color, and the lines are thin and black.

MANITOBA

LAW

F O U N D A T I O N

Annual Report

2013/2014

In 1986, the Legislature established **THE MANITOBA LAW FOUNDATION** through amendments to The Legal Profession Act. Financial institutions must pay to the Foundation interest on mixed trust accounts maintained by lawyers practising in Manitoba. This does not include the interest paid on specific trust investments held for individual clients. Mixed trust deposits are usually held by lawyers in circumstances where the administrative cost of segregating the funds would exceed the interest payable to individual clients.

OBJECTIVES

The legislation establishing the Foundation spells out the purposes for which its money can be used. The objects of the Foundation are to encourage and promote:

Legal education;

Legal research;

Law reform;

Legal aid services; and

The development and maintenance of law libraries.

ADMINISTRATION

A Board of ten Directors administers the Foundation. The Minister of Justice appoints five Directors; the Benchers of The Law Society of Manitoba appoint three; the president of the Manitoba Branch of the Canadian Bar Association appoints one.

The Dean of the Faculty of Law, University of Manitoba, or a member of the Faculty appointed by the Dean, is a Director. The Minister of Justice designates one of the Directors as Chairperson and another as Vice-Chairperson. The Board meets regularly to decide on grant applications and policy matters including the collection and investment of revenues.

FUNDING GUIDELINES

A summary of the Foundation's granting policy and application forms are available from the Foundation office. In general, projects must fall within the stated objectives as interpreted by the Board of Directors. There are no limits on the amount of grants, but all grants are subject to the availability of funds. The grants mandated by legislation have a prior claim.

The Foundation is willing to fund projects that are creative and innovative as long as they fit its objectives and benefit the public interest.

APPLICATION PROCEDURES

Potential applicants first contact the Foundation office to discuss a proposal and obtain the necessary application forms. Continuing grant and large project applications are normally considered in December of each year. The application deadline is the end of August. Applications under the Foundation's Small Grants

Program are considered at the June and December Board meetings. Deadlines for Small Grant Applications are the end of March and the end of October. Assistance in the preparation of applications is available from the Foundation office. It is the Board of Directors, however, who make all decisions on funding.

Along with the application forms, prospective applicants receive a memorandum to assist in the completion of the package of written materials required by the Board in order to make its decision. Twelve copies of the completed proposal are required.

OBLIGATIONS OF GRANT RECIPIENTS

Grant recipients are required to confirm their obligations by letter in a form approved by the Foundation's Board. Generally, grant recipients must agree to spend the grant money as specified in their application or any variation approved in writing by the Foundation. Funds not spent in accordance with the letter of agreement must be refunded to the Foundation.

The Board of Directors of the Foundation has approved an Evaluation Policy. A memorandum specifying reporting requirements is available from the Foundation office. An independent auditor's report is required unless the Foundation specifically agrees that it shall not be required.

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-eighth Annual Report of **The Manitoba Law Foundation**.

Financial Statements for the year ended 31 March 2014 were examined by the Foundation's auditors, PricewaterhouseCoopers LLP, Chartered Accountants, whose report dated the 19th of June 2014 is attached. The Financial Statements were approved by the Foundation's Directors at a meeting of the Board held on the 19th of June 2014.

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

Garth Smorang, Q.C., Chairperson	(to December 2015)
Lori Ferguson-Sain, Vice-Chairperson	(to July 2015)
Monica Adeler	(to December 2016)
Davis Daycock	(to July 2015; retired December 2013)
Terumi Kuwada	(to July 2015)
John Neufeld, Q.C.	(to July 2015)

B. Appointed by The Law Society of Manitoba

David Kroft	(to August 2014)
Diane Stevenson	(to August 2016)
Helga Van Iderstine	(to August 2015)

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, 2014 the Board met in Winnipeg in May, June, September and December 2013 and in February and March 2014.

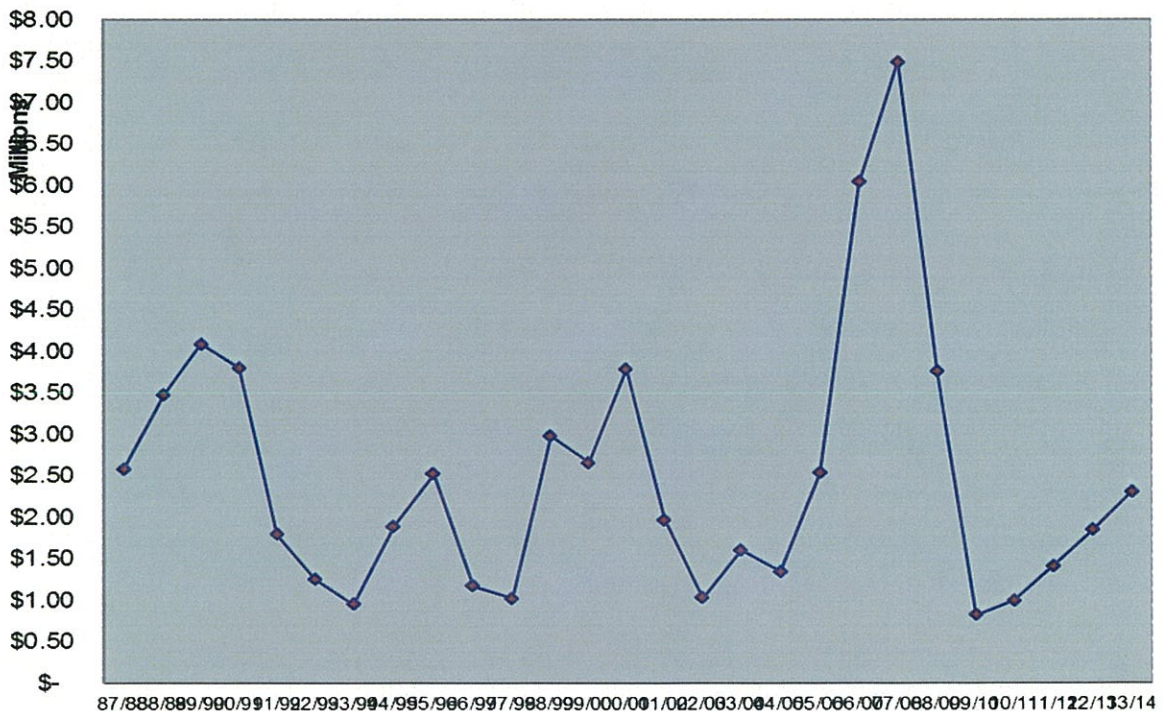
FINANCIAL HIGHLIGHTS

	2013/2014	2012/2013	Change
Interest on Lawyers' Trust Accounts	\$2,309,269	\$1,851,650	+ 24.7%
Income from investment (realized)	\$ 212,516	\$ 222,673	- 4.5%
Total Revenues	\$2,521,785	\$2,074,323	+ 21.5%

REVENUES

The Foundation once again saw an increase in IOLTA revenues for the fiscal year, from \$1.85 million in the prior year to approximately \$2.3 million in the 2013/14 fiscal year. This positive upward trend has been occurring since 2010, with small rates of growth each year, and is primarily the result of continuing strong trust account balances, along with some rate improvements with financial institutions. These increases have, however, been incremental, and have still not returned the Foundation to the IOLTA revenues seen prior to the financial downturn of 2008/2009.

IOLTA revenues received by the Foundation are based on interest rate formulas negotiated with financial institutions on lawyers' trust accounts, and are tied to the Prime Rate. As a result of these formulas, IOLTA revenues are extremely sensitive to changes in the Prime Rate, and are therefore highly volatile, as illustrated by the following chart of IOLTA revenues over the Foundation's history.



The Prime Rate remained steady at 3% since September 2010, the longest stretch of level rates in Canada's history. This low interest rate impacts not only the interest received on lawyers' trust accounts, but also impacts the bank interest the Foundation receives on its cash assets.

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 under budget at \$191,788.

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 2013/14, the Foundation received and accrued \$212,516 in total investment revenue, including \$207,127 in income from the Winnipeg Foundation and the balance in bank interest. This was a small decrease from the prior year's investment revenue, resulting from the still recovering average market value of the Winnipeg Foundation Managed Fund and draws which have been made on the Fund for cash flow purposes during low revenue years. Because the Fund's income payment is calculated on a three year market value of the Fund, this lowered overall value has resulted in decreasing income payments over the past few years. Recovery in the market value of the Fund has been uneven over the past several years, but had shown marked improvement in 2013/14, with an increase in fair value of \$574,996. This increase is an unrealized one, as it would only be received if the Fund was dissolved, but it will benefit the Foundation in its future income payments from the Fund. Due to changes in accounting standards for not for profit organizations, (ASNPO) these unrealized gains must flow through the Foundation's Statement of Operations for the current year in the audited financial statements, and are noted as part of the investment income for the fiscal year.

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. In 2007/08, the Board reviewed 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. The maximum level of the Reserve based on this formula was calculated at approximately \$2.7 million.

The major purpose of the Reserve is to provide some stability for discretionary granting during periods of revenue reductions. Significant draws on the Reserve were taken to maintain discretionary granting levels in the low revenue years of 2003/04, 2004/05 and 2005/06.

Further draws on the Reserve and unrestricted surplus have been required over the past number of years to maintain granting levels, as during very low IOLTA revenue years, the formula set out in the legislation requires that most, if not all, of the current year's IOLTA funds be used for statutory grants. (see explanation of formula under *Grants* below) In fiscal year 2013/14, the Board approved use of the Reserve in the amount of \$413,033 for the purposes of discretionary grants.

During the fiscal year, the Board also considered its Access to Justice Fund, which had been created in the high revenue years prior to the global economic downturn in 2009. Full implementation of this \$500,000 Fund had been put on hold immediately after the downturn until such time as revenues stabilized. Each year since that time, the Board has turned its mind to the use and implementation of the Fund. Due to economic forecasts that the current low interest rate environment will likely continue for the foreseeable future, and measuring the Foundation's priorities and the needs of its current grantees, during this fiscal year the Board determined that this \$500,000 should be reallocated to the Reserve for Future Grants to be used for discretionary granting. As a result, the level of the Reserve at the end of fiscal 2013/14 was \$2,184,967.

REVENUE PROJECTIONS

On the basis of the Prime Rate over the past several years and current economic trends, the Foundation anticipates that revenues from interest on lawyers' trust accounts in the 2014/2015 fiscal year will be stable, but still on the lower end of historical averages for the Foundation. Recovery in IOLTA levels has been slow but steady, and there are no indicators of changes to the Prime Rate on the near horizon. Global and Canadian 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 in the near or mid-term horizon.

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 2013/2014 fiscal year.

1. *The Legal Aid Services Society of Manitoba*

Disbursed	\$	1,007,629
Accrued	\$	1,154,635

2. *The Law Society of Manitoba*

Disbursed	\$	335,383
Accrued	\$	384,724

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 \$980,033 in discretionary core and project 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 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.

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

LEGAL EDUCATION

Community Legal Education Association (Manitoba), Incorporated <i>General Operating Grant</i>	\$ 50,000
Faculty of Law, University of Manitoba <i>General Funding Grant</i>	\$ 72,000
<i>Pro Bono Students Canada</i>	\$ 10,000
<i>Pro Bono Students Canada – national training conference</i>	\$ 3,849
Manitoba Association for Rights and Liberties <i>Under 18 Handbook project</i>	\$ 4,184
Manitoba Infrastructure and Transportation <i>Chief Justice Portraits and War Memorial Restoration project</i>	\$ 20,000
Native Law Centre, University of Saskatchewan <i>General Operating</i>	\$ 12,000

LEGAL RESEARCH

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

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

LAW REFORM

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

E. K. Williams Law Library, University of Manitoba <i>Acquisitions and Maintenance</i>	\$ 82,000
Manitoba Law Library Inc. <i>Courthouse Libraries</i>	\$120,000

Additional discretionary grants totaling \$974,000 for fiscal year 2014/2015 were approved conditionally for payment from monies available in that year.

Report from the Chair

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

The Law Foundation has experienced steadily improving revenues, which have increased from approximately \$1.4 Million in 2011/2012 to \$1.8 Million in 2012/2013 to \$2.3 Million this past year. This revenue is still at the low end of the scale historically and once again requires us to access our reserve fund in order to meet the grants we have authorized, but the trend remains encouraging.

At our June meeting, the Board considered and adopted a Conflict of Interest Policy to govern the conduct of both Board members and Foundation Staff. The Policy will soon be up on our website.

This year we have continued with our strategic planning process, which began in late 2012. We conducted a Grantee Survey followed up by meetings between our Executive Director and each participant to discuss their answers and receive feedback.

Earlier this year the Foundation commissioned a report entitled *Surveying the Landscape – Early Resolution Legal Supports in Manitoba*, which analyzed the current services being provided by 96 agencies and organizations across Manitoba. The author, Karen Dyck, specifically examined both areas of overlap and gaps in early resolution legal services being offered today. The report gives us important information and recommendations which we can use in making granting decisions. It will also soon be on our website and publically available as a resource.

This summer the Foundation will be hosting a one day meeting with our grantees, facilitated by our Executive Director, to review the current landscape, and to discuss ways to promote collaboration to avoid overlap, as well as ways to eliminate gaps in areas of service.

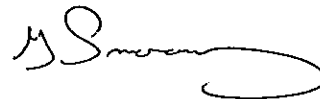
Our Grantee Application has also been significantly revised to address both collaboration and identified gaps in service.

The Foundation's goal is to ensure that the grants we make are put to their best possible use by our grantees. In this period of sustained low interest rates, "*bang for the buck*" is critical.

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

I would like to take this opportunity to especially thank the current and past Directors of the Foundation for their time, effort, and dedication. 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 over the past year.



Garth H. Smorang, Q.C.
Chairperson
The Manitoba Law Foundation

**The Manitoba Law
Foundation**

Financial Statements
March 31, 2014



June 19, 2014

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 statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

*PricewaterhouseCoopers LLP, Chartered Accountants
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020*

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 decrease by \$13,255 (2013 - increase by \$54,665) and both accrued interest receivable and unrestricted net assets would increase by \$145,563 (2013 - \$158,817).

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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

The Manitoba Law Foundation

Statement of Financial Position

As at March 31, 2014

	2014 \$	2013 \$
Assets		
Cash	298,035	187,433
Investment (note 4)	5,187,980	4,762,984
Accrued interest receivable	33,326	35,716
Capital assets (note 5)	3,964	4,836
	<u>5,523,305</u>	<u>4,990,969</u>
Liabilities		
Grants allocated and undisbursed (Schedule)	<u>1,612,080</u>	<u>1,467,280</u>
Net Assets		
Unrestricted	1,723,093	921,652
Invested in capital assets	3,964	4,836
Internally restricted (note 6)		
Reserve for future grants	2,184,168	2,097,201
Access to Justice Fund	-	500,000
	<u>3,911,225</u>	<u>3,523,689</u>
	<u>5,523,305</u>	<u>4,990,969</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

Statement of Operations

For the year ended March 31, 2014

	2014 \$	2013 \$
Revenue		
Interest received on lawyers' trust accounts	2,309,269	1,851,650
Investment income (note 7)	787,512	426,238
	<u>3,096,781</u>	<u>2,277,888</u>
Administrative expenditures		
Audit and legal	9,849	9,097
Board fees	13,600	13,600
Courier	371	710
Insurance	1,341	1,313
Meeting expenses	3,660	4,353
Memberships and dues	578	1,388
Miscellaneous expense	4,300	4,098
Office, postage and telephone	8,426	10,276
Personnel	116,289	116,120
Professional development	3,938	3,938
Rent	18,600	18,450
Travel	10,836	5,782
	<u>191,788</u>	<u>189,125</u>
Excess of revenue over expenditures	2,904,993	2,088,763
Grants allocated during the year (Schedule)	<u>(2,519,392)</u>	<u>(2,312,412)</u>
	385,601	(223,649)
Amortization	<u>(2,131)</u>	<u>(3,222)</u>
Excess (deficiency) of revenue over expenditures after allocation of grants	<u>383,470</u>	<u>(226,871)</u>

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

The Manitoba Law Foundation

Statement of Changes in Net Assets

For the year ended March 31, 2014

					2014	2013
	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	921,652	4,836	2,097,201	500,000	3,523,689	3,595,172
Excess (deficiency) of revenue over expenditures after allocation of grants	383,470	-	-	-	383,470	(226,871)
Amortization of capital assets	2,131	(2,131)	-	-	-	-
Purchase of capital assets	(1,259)	1,259	-	-	-	-
Reallocation of small grant	4,066	-	-	-	4,066	5,388
Reallocation of pilot project initiative grant	-	-	-	-	-	150,000
Interfund transfer	413,033	-	86,967	(500,000)	-	-
Balance - End of year	1,723,093	3,964	2,184,168	-	3,911,225	3,523,689

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

The Manitoba Law Foundation

Statement of Cash Flows

For the year ended March 31, 2014

	2014	2013
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures after allocation of grants	383,470	(226,871)
Items not affecting cash		
Amortization	2,131	3,222
Fair value adjustment on investments	(574,996)	(203,565)
Reallocation of small grant	4,066	5,388
Reallocation of pilot project initiative grant	-	150,000
	(185,329)	(271,826)
Net change in non-cash working capital items	147,190	(53,436)
	<u>(38,139)</u>	<u>(325,262)</u>
Investing activities		
Redemption of investments	150,000	400,000
Purchase of capital assets	(1,259)	(5,386)
	<u>148,741</u>	<u>394,614</u>
Increase in cash	110,602	69,352
Cash - Beginning of year	<u>187,433</u>	<u>118,081</u>
Cash - End of year	<u><u>298,035</u></u>	<u><u>187,433</u></u>

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

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2014

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

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 and realized gains or losses, interest and dividends net of administration and investment fees recognized in investment income. Purchases and sales of the investment are recognized using settlement date accounting with realized gains or losses recorded in the investment income at that time.

Investment income is recorded on an accrual basis.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2014

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.

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.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2014

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 distributions received for the year on The Winnipeg Foundation Consolidated Trust Fund were \$207,127 (2013 - \$218,654).

5 Capital assets

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware and software	6,645	2,681	3,964	4,836
Furniture and fixtures	19,732	19,732	-	-
	26,377	22,413	3,964	4,836

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2014

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 \$500,000 was made from the Access to Justice Fund to the reserve; additionally, an interfund transfer of \$413,033 was made from the reserve fund to the operating fund to meet the amount required for core funding.

7 Investment income

	2014	2013
	\$	\$
Sundry interest	5,389	4,019
Distributions received on investments (note 4)	207,127	218,654
Fair value adjustment on investments	574,996	203,565
	<u>787,512</u>	<u>426,238</u>

8 Commitments

The Foundation's Board has conditionally approved 2014/2015 discretionary grants in an amount of \$974,000. Should there be insufficient revenue remaining in 2014/2015 after payment of non-discretionary grants and administrative expenditures, these conditionally approved 2014/2015 discretionary grants will be paid firstly from unallocated revenue and secondly from reserve for future grants.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2014

9 Related party transactions

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

	2014	2013
	\$	\$
Discretionary grants payable to entities related to Board members (included in grants allocated and undisbursed)	44,688	54,268
Discretionary grants allocated during the year to entities related to Board members	630,000	628,000
Small grants allocated during the year to entities related to Board members	3,849	71,440

The discretionary grants allocated as at March 31, 2014 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)	10,000
Public Interest Law Centre	180,000
University of Manitoba Law Clinic	86,000
	<hr/>
	630,000
	<hr/>

The small grants as at March 31, 2014 referred to above were made to:

	\$
ProBono Student Canada (Manitoba)	
National Training Conference	3,849
	<hr/>

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."

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2014

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.

The Manitoba Law Foundation
 Schedule of Grants Allocated and Undisbursed
 For the year ended March 31, 2014

	Allocated during fiscal 2014 \$	Undisbursed as at March 31, 2014 \$
Per subsection 90(1) The Legal Profession Act		
Legal Aid Services Society of Manitoba	1,154,635	1,154,635
Law Society of Manitoba	384,724	384,724
	1,539,359	1,539,359
Per subsection 90(4) The Legal Profession Act (discretionary)		
(a) Legal education		
Community Legal Education Association General Operating 2013/2014	50,000	-
Faculty of Law, University of Manitoba General Funding Grant 2013/2014	72,000	-
Native Law Centre, University of Saskatchewan General operating 2013/2014	12,000	-
Faculty of Law, University of Manitoba Pro Bono Students Canada (Manitoba) 2013/2014	10,000	-
(b) Legal research		
Legal Research Institute - University of Manitoba General Operating 2013/2014	80,000	-
(c) Legal aid services		
Legal Aid of Manitoba Public Interest Law Centre 2013/2014	180,000	-
University of Manitoba Law Clinic 2013/2014	86,000	-
Community Legal Education Association Law Phone-In, Lawyer Referral Service 2013/2014	60,000	-
Community Unemployed Help Centre General Operating 2013/2014	20,000	-
Legal Help Centre General Operating 2013/2014	60,000	-
(d) Law reform		
Manitoba Law Reform Commission General Operating 2013/2014	120,000	-
(e) Law libraries		
E.K. Williams Law Library* Acquisitions and Maintenance	82,000	44,688
Manitoba Law Library Inc. 2013/2014	120,000	-
Carried forward	2,491,359	1,584,047

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

The Manitoba Law Foundation

Schedule of Grants Allocated and Undisbursed ...continued
 For the year ended March 31, 2014

	Allocated during fiscal 2014 \$	Undisbursed as at March 31, 2014 \$
Brought forward	2,491,359	1,584,047
(f) Small grants program		
Manitoba Association for Rights and Liberties Under 18 Handbook Project	4,184	4,184
ProBono Student Canada (Manitoba) National Training Conference	3,849	3,849
(g) Project Grants		
Manitoba Infrastructure and Transportation Chief Justice Portraits and War Memorial Restoration Project	20,000	20,000
	<u>2,519,392</u>	<u>1,612,080</u>

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

The balance of \$44,688 which was undisbursed as at March 31, 2014 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	9,588
	<u>44,688</u>

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