



ANNUAL REPORT

2014 / 2015

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

Financial Statements for the year ended 31 March 2015 were examined by the Foundation’s auditors, PricewaterhouseCoopers LLP, Chartered Accountants, whose report dated the 18th of June 2015 is attached. The Financial Statements were approved by the Foundation’s Directors at a meeting of the Board held on the 18th of June 2015.

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)
Terumi Kuwada	(to July 2015)
John Neufeld, Q.C.	(to July 2015; resigned October 2014)

B. Appointed by The Law Society of Manitoba

Jack Cram	(to August 2017)
David Kroft	(to August 2015; resigned September 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, 2015 the Board met in Winnipeg in June, October and December 2014 and in March 2015.

FINANCIAL HIGHLIGHTS

	2014/2015	2013/2014	Change
Interest on Lawyers' Trust Accounts	\$2,013,244	\$2,309,269	- 12.8%
Income from investment (realized)	\$ 231,150	\$ 212,516	+ 8.7%
Total Revenues	\$2,244,394	\$2,521,785	- 10.9%

REVENUES

The Foundation saw a decrease in IOLTA revenues for the fiscal year, from \$2.3 million in the prior year to just over \$2 million in the 2014/15 fiscal year. This decrease was as a result of the prior year's IOLTA total containing a one-time back payment of trust account interest from prior years that was received in the 2013/14 fiscal year. As the Foundation calculates IOLTA on a cash basis, this one-time receipt was included in that year's total. Factoring out that one-time payment, there was a very slight increase in current year IOLTA earnings. Since 2010/11, revenues have been incrementally increasing, but due to the continuing low interest rate environment, revenues continue to be on the historically lower end of the range, and continue to be substantially lower than prior to the 2008/09 global economic downturn.

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.

For most of the fiscal year, the Prime Rate remained steady at 3% (its level since September 2010), however, in January 2015 it dropped to 2.85%, reducing the amount of interest received on the trust accounts for the last quarter of the year. 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. This lower rate will also have an impact on revenue for the coming fiscal year.

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 maintained office premises during the fiscal year at 300-207 Donald Street in a shared space arrangement with the Social Planning Council of Winnipeg. Effective July 1st, 2015, the Foundation's offices will move to 701-177 Lombard Avenue in Winnipeg. Operational expenditures for the year were \$181,947, a slight decrease from the prior year.

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 2014/15, the Foundation's statements show total investment revenue received and accrued of \$598,614. This figure is composed of three distinct components: \$224,220 in income from the Winnipeg Foundation (up from \$207,107 the prior year); \$6,930 in bank interest (up from \$5,389 the prior year); and \$367,464 in fair value adjustment on the Winnipeg Foundation Managed Fund. The fair value adjustment is unrealized revenue, as it illustrates the change in the fair market value of the Winnipeg Foundation Managed Fund between April 1st, 2014 and March 31st, 2015. Although the market value of the Managed Fund is shown to increase by this amount during the fiscal year, this amount was not actually received as cash. The actual cash income from this increase would only be received if the Fund was dissolved. Because of changes to accounting standards for not for profit organizations, (ASNPO), this unrealized increase in value (or loss, if applicable) must flow through the Statement of Operations in the audited financial statements for the year, 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. When interest rates and IOLTA revenues rose, the Reserve was able to be at its maximum level.

Further draws on the Reserve and have been required since 2011 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 2014/15, the Board approved use of the Reserve in the amount of \$132,433 for the purposes of discretionary grants. Because of the judicious use of the Reserve, there were no reductions to discretionary granting for these low-IOLTA fiscal years. Recognizing that the Reserve is not inexhaustible however, the board had been undertaking a strategic review of its core discretionary granting with a view to determining a sustainable granting level that would maximize the utility of the Foundation's granting. During the prior and 2014/15 fiscal year, a focus on collaboration was expressed to all grantees and new applicants, and a new application review process was developed and implemented.

The level of the Reserve at the end of fiscal 2014/2015 was \$2,051,735. Given the lower Prime Rate, the Foundation anticipates that further draws on the Reserve will be necessary in the coming fiscal year.

REVENUE PROJECTIONS

On the basis of the Prime Rate over the past several years, its most recent reduction, and current economic trends, the Foundation anticipates that revenues from interest on lawyers' trust accounts in the 2015/2016 fiscal year will be somewhat lower than in 2014/2015. Over the past several years, IOLTA levels had been recovering incrementally, but because of the very small margin on the interest rates received from financial institutions in the low interest rate environment, even small decreases in the Prime Rate have a significant impact. Overall, global and Canadian economic recovery has been uneven, and has created some current uncertainty in what will be happening in the mid or long term.

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 and to offset the cost of monitoring trust accounts. 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 2014/2014 fiscal year.

1. *The Legal Aid Services Society of Manitoba*

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

2. *The Law Society of Manitoba*

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

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 \$1,036,098 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 and four 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>	\$ 12,000
Kinbrace Community Society <i>Refugee Hearing Preparation Guide (Manitoba)</i>	\$ 16,626
Native Law Centre, University of Saskatchewan <i>General Operating</i>	\$ 12,000

LEGAL RESEARCH

Assembly of Manitoba Chiefs <i>Families First: Building an Initiative for Action regarding Missing and Murdered Indigenous Women and Girls (Phase II)</i>	\$ 19,472
Brandon University, Dr. Yvonne Boyer <i>Advancing Treaty Rights to Health</i>	\$ 18,000
Legal Research Institute – University of Manitoba <i>General Operating</i>	\$ 80,000
University of Manitoba, Canadian Legal History Project <i>Paths to the Bench: The Judicial Appointment Process in Manitoba, 1870-1950</i>	\$ 8,000

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>	\$ 80,000

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
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Manitoba Law Library Inc. <i>Courthouse Libraries</i>	\$120,000
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Additional discretionary grants totaling \$836,000 for fiscal year 2015/2016 were approved conditionally for payment from monies available in that year.

Report from the Chair

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

Although the Law Foundation has experienced steadily improving revenues, which exceeded \$2 million this past year, our 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. The trend, however, remains encouraging. Interest rates remain low and it does not appear this will change significantly in the short term.

In accordance with the goals set by our strategic plan, we focused this year on maximizing the utility of grants we are making. For 2014/2015 we approved discretionary grants of over \$974,000 to 12 grantees, in addition to a number of project grants.

The Board approved major changes to our grant application process, in order to provide us with more and better information specifically addressing the question of utility of grant money. This has proven to be extremely helpful to the Board in performing its granting function this year.

In May, the Foundation hosted a one day seminar attended by over 30 people from a variety of private and public organizations, at which Mr. JP Boyd of the Canadian Research Institute on Law and the Family presented on Access to Family Justice: Obstacles and Opportunities, addressing the issue of access to justice in the area of family law.

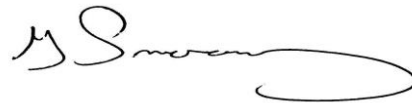
This September, the Foundation will host the annual national meeting of the Association of Canadian Law Foundations.

Our goals for the coming year will include efforts to maximize our revenue beyond current revenue sources.

I would like to take this opportunity to especially thank the Directors of the Foundation for their time, effort, and dedication, especially my Vice-Chair, Lori Ferguson Sain. In particular, we will be losing two long-standing and committed Board members this summer, Helga Van Iderstine, and Gary Goodwin. Joining our Board will be Bill Gange and Karlee Blatz.

I would also like to acknowledge the Foundation's Executive Director, Barbara Palace Churchill, and our Accounting Services Manager, Helen O'Connor, for their hard work and dedication over the past year. It has been a busy year, culminating in our office moving locations this summer.

For current information concerning the Foundation, feel free to access our website, at www.manitobalawfoundation.org.



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

The Manitoba Law Foundation

Financial Statements
March 31, 2015



June 11, 2015

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, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes which comprise 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
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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 decrease by \$29,704 (2014 - decrease by \$13,255) and both accrued interest receivable and unrestricted net assets would increase by \$115,859. The effect on opening unrestricted net assets as at April 1, 2014 was \$145,563. Our audit opinion on the financial statements for the year ended March 31, 2014 was modified accordingly because of the effect of this departure from Canadian accounting standards for not-for-profit organizations.

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, 2015 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, 2015

	2015 \$	2014 \$
Assets		
Cash	264,484	298,035
Investment (note 4)	5,105,434	5,187,980
Accrued interest receivable	42,708	33,326
Capital assets (note 5)	1,749	3,964
	<u>5,414,375</u>	<u>5,523,305</u>
Liabilities		
Grants allocated and undisbursed (schedule)	<u>1,454,574</u>	<u>1,612,080</u>
Net Assets		
Unrestricted	1,906,317	1,723,093
Invested in capital assets	1,749	3,964
Internally restricted (note 6) Reserve for future grants	<u>2,051,735</u>	<u>2,184,168</u>
	<u>3,959,801</u>	<u>3,911,225</u>
	<u>5,414,375</u>	<u>5,523,305</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, 2015

	2015 \$	2014 \$
Revenue		
Interest received on lawyers' trust accounts	2,013,244	2,309,269
Investment income (note 7)	598,604	787,512
	<hr/> 2,611,848	<hr/> 3,096,781
Administrative expenditures		
Audit and legal	8,159	9,849
Board fees	11,350	13,600
Courier	448	371
Insurance	1,358	1,341
Meeting expenses	3,860	3,660
Memberships and dues	689	578
Miscellaneous expense	1,006	4,300
Office, postage and telephone	5,449	8,426
Personnel	124,776	116,289
Professional development	-	3,938
Rent	18,600	18,600
Travel	6,252	10,836
	<hr/> 181,947	<hr/> 191,788
Excess of revenue over expenditures for the year	2,429,901	2,904,993
Grants allocated during the year (schedule)	<hr/> (2,379,110)	<hr/> (2,519,392)
	50,791	385,601
Amortization	<hr/> (2,215)	<hr/> (2,131)
Excess of revenue over expenditures after allocation of grants	<hr/> 48,576	<hr/> 383,470

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, 2015

				2015	2014
	Unrestricted \$	Invested in capital assets \$	Internally restricted - Reserve for Future Grants \$ (note 6)	Total \$	Total \$
Balance - Beginning of year	1,723,093	3,964	2,184,168	3,911,225	3,523,689
Excess of revenue over expenditures after allocation of grants	48,576	-	-	48,576	383,470
Amortization of capital assets	2,215	(2,215)	-	-	-
Reallocation of small grant	-	-	-	-	4,066
Interfund transfer	132,433	-	(132,433)	-	-
Balance - End of year	1,906,317	1,749	2,051,735	3,959,801	3,911,225

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, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures after allocation of grants	48,576	383,470
Items not affecting cash		
Amortization	2,215	2,131
Fair value adjustment on investments	(367,454)	(574,996)
Reallocation of small grant	-	4,066
	(316,663)	(185,329)
Changes in non-cash working capital items	(166,888)	147,190
	(483,551)	(38,139)
Investing activities		
Redemption of investments	450,000	150,000
Purchase of capital assets	-	(1,259)
	450,000	148,741
Increase (decrease) in cash during the year	(33,551)	110,602
Cash - Beginning of year	298,035	187,433
Cash - End of year	264,484	298,035

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

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2015

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 Summary of 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, 2015

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 statement 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, 2015

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 \$224,220 (2014 - \$207,127).

5 Capital assets

			2015	2014
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware and software	6,645	4,896	1,749	3,964
Furniture and fixtures	19,732	19,732	-	-
	26,377	24,628	1,749	3,964

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2015

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 \$132,433 was made from the reserve fund to the operating fund to meet the amount required for core and project funding.

7 Investment income

	2015 \$	2014 \$
Sundry interest	6,930	5,389
Distributions received on investments (note 4)	224,220	207,127
Fair value adjustment on investments	367,454	574,996
	<hr/> 598,604	<hr/> 787,512

8 Commitments

The Foundation's Board has conditionally approved 2015/2016 discretionary grants in an amount of \$836,000. Should there be insufficient revenue remaining in 2015/2016 after payment of non-discretionary grants and administrative expenditures, these conditionally approved 2015/2016 discretionary grants will be paid firstly from unallocated revenue and secondly from the Reserve.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2015

9 Related party transactions

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

	2015 \$	2014 \$
Discretionary grants payable to entities related to Board members (included in grants allocated and undisbursed)	42,021	44,688
Discretionary grants allocated during the year to entities related to Board members	632,000	630,000
Small grants allocated during the year to entities related to Board members	27,472	3,849

The discretionary grants allocated as at March 31, 2015 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)	12,000
Public Interest Law Centre	180,000
University of Manitoba Law Clinic	86,000
	<hr/>
	632,000
	<hr/>

The small grants as at March 31, 2015 referred to above were made to:

	\$
University of Manitoba	
Canadian Legal History Project	8,000
Assembly of Manitoba Chiefs	
Families First	19,472
	<hr/>
	27,472
	<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, 2015

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 may have difficulty meeting 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, 2015

	Allocated during fiscal 2015 \$	Undisbursed as at March 31, 2015 \$
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 2014/2015	50,000	
Faculty of Law, University of Manitoba General Funding Grant 2014/2015	72,000	
Native Law Centre, University of Saskatchewan General operating 2014/2015	12,000	
Faculty of Law, University of Manitoba Pro Bono Students Canada (Manitoba) 2014/2015	12,000	
(b) Legal research		
Legal Research Institute - University of Manitoba General Operating 2014/2015	80,000	
(c) Legal aid services		
Legal Aid of Manitoba Public Interest Law Centre 2014/2015	180,000	
University of Manitoba Law Clinic 2014/2015	86,000	
Community Legal Education Association Law Phone-In, Lawyer Referral Service 2014/2015	60,000	
Community Unemployed Help Centre General Operating 2014/2015	20,000	
Legal Help Centre General Operating 2014/2015	80,000	
(d) Law reform		
Manitoba Law Reform Commission General Operating 2014/2015	120,000	
(e) Law libraries		
E.K. Williams Law Library* Acquisitions and Maintenance	82,000	42,021
Manitoba Law Library Inc. 2014/2015	120,000	
	<hr/>	<hr/>
Carried forward	2,317,012	1,385,033

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, 2015

	Allocated during fiscal 2015 \$	Undisbursed as at March 31, 2015 \$
Brought forward	2,317,012	1,385,033
(f) Small grants program		
Manitoba Association for Rights and Liberties Under 18 Handbook Project	-	3,659
Assembly of Manitoba Chiefs Families First	19,472	19,472
Kinbrace Community Society Kinbrace Refugee Housing and Support	16,626	16,626
Brandon University Advancing Treaty Rights to Health	18,000	9,783
University of Manitoba Canadian Legal History Project	8,000	-
(g) Project Grants		
Manitoba Infrastructure and Transportation Chief Justice Portraits and War Memorial Restoration Project	-	20,000
	<u>2,379,110</u>	<u>1,454,573</u>

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

The balance of \$42,021 which was undisbursed as at March 31, 2015 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	6,921
	<u>42,021</u>

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