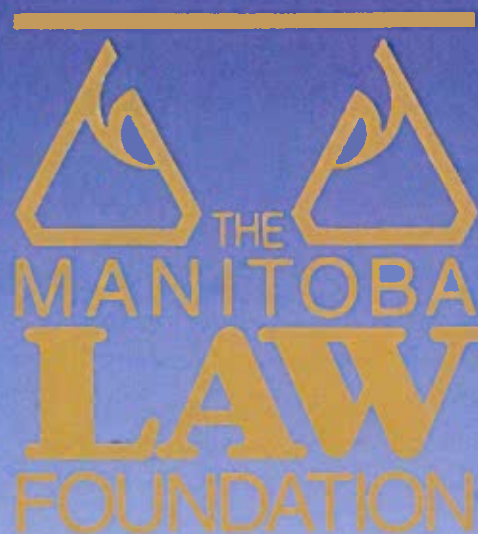


TWENTY-SIXTH ANNUAL REPORT



2011 - 2012

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-sixth Annual Report of The Manitoba Law Foundation.

Financial Statements for the year ended 31 March 2012 were examined by the Foundation's auditors, PricewaterhouseCoopers LLP, Chartered Accountants, whose report dated the 14th of June 2012 is attached. The Financial Statements were approved by the Foundation's Directors at a meeting of the Board held on the 14th of June 2012.

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)
Elizabeth Beaupre, Vice-Chairperson	(to January 2001)
Davis Daycock	(to January 2003)
Catherine Ann Steven	(to January 2003)
Garth Smorang, Q.C.	(to December 2015)

B. Appointed by The Law Society of Manitoba

David Kroft	(to August 2014)
Karen Clearwater	(to August 2012)
Diane Stevenson	(to August 2013)

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

Gary Goodwin	(to September 2012)
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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, 2012 the Board met in Winnipeg in June, September, November and December 2011 and in March 2012.

FINANCIAL HIGHLIGHTS

	2010-2011	2011-2012	Change
Interest on Lawyers' Trust Accounts	\$1,000,222	\$1,414,611	+ 41.4%
Interest on investment	\$ 249,291	\$ 232,843	- 6.6%
Total Revenues	\$1,249,513	\$1,647,454	+ 31.8%

REVENUES

The Foundation's total gross revenues increased overall from the previous fiscal year, by almost 32%. There was a significant increase in Interest on Lawyers' Trust Accounts (IOLTA) revenue of just over 40%, however, this is still one of the lower IOLTA revenue years in the history of the Foundation. Law foundations across Canada continue to see low IOLTA levels due to a low Prime Rate resulting from continuing economic and market uncertainty. Interest rates provided by financial institutions on lawyers' trust accounts 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 past low interest rate years, floor rates of interest were negotiated with financial institutions to allow for lawyers' trust accounts to continue paying interest as required by legislation. In 2011/12 the Prime Rate remained steady at 3%. 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 and the cash flow of the Foundation.

The 3% average Prime Rate for the fiscal year was a quarter percentage point higher than the previous year. This, combined with continuing good balances in the trust accounts, resulted in the improvement in IOLTA revenue. The impact of the drop in

interest rates in past years, combined with slow economic improvement, has been enormous. As projected in last year's annual report, recovery is 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 fiscal year 2009/2010 after moving from the prior offices on McDermot, which had been the office location for over 15 years. Operational expenditures for the year were within budget at \$172,803.

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 earning a competitive rate of interest.

In 2011/12, the Foundation earned \$232,843 in total investment revenue, including the annual income from the Winnipeg Foundation and bank interest. This was a small decrease from the prior year's investment revenue, primarily due to the continuing low Prime Rate and the impact of the rolling three year market value calculation described above used to determine the income level earned on the Fund.

The market value of the Winnipeg Foundation Managed Fund continued to fluctuate during the course of the fiscal year. 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. At the close of the 2008/09 year, the market value of the Fund had dropped to approximately \$4.5 million. Its value had improved over the past two fiscal years, with closing values of almost \$5.2 million in 2009/10 and just over \$5.4 million in 2010/11. At the close of 2011/12, the market value of the Fund was just over \$4.9 million. This reduction in market value was due primarily to a draw of \$300,000 in capital made on the Fund in the last quarter of the fiscal year to meet the cash flow needs of the Foundation. Due to continuing low IOLTA remittances this year, the Foundation needed to draw on long term funds which had been invested, which is one of the purposes of the Fund.

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. As of year end, the Reserve continued to be at its optimal level under that policy.

Although there had been potential for a draw on the Reserve for 2011/12, the use of the Reserve had not been required for that granting year. At its December meeting where grants for the 2012/13 year were considered however, the Board authorized the use of the Reserve for discretionary granting for 2012/13, so that current granting levels could be maintained in the coming year. During the course of the 2012/13 fiscal year, the Board will closely monitor IOLTA revenues and analyze the use of the Reserve and impact on granting going forward to 2013/14.

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 2012/13 fiscal year will remain very low. The Prime Rate has remained unchanged over the course of the year, and any dramatic or immediate change does not appear likely. Global economic recovery, which drives the Bank of Canada's policies regarding interest rates, continues to be slow and changeable. Based on current interest rate agreements with financial institutions, further increases in the Prime Rate will be necessary to have more than floor or minimum rates of interest apply. Exaggerated swings in revenue, sensitive to interest rate changes, are endemic to law foundations.

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 2011/2012 fiscal year.

1. *The Legal Aid Services Society of Manitoba*

Disbursed	\$	619,954
Accrued	\$	928,398

2. *The Law Society of Manitoba*

Disbursed	\$	206,651
Accrued	\$	309,467

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 Board may, at its discretion, also authorize the use of funds from the Foundation's Reserve for Future Grants to supplement the amounts available for discretionary granting. The Foundation approved \$934,820 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 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 and three Small Grants Program discretionary grants were approved, as listed here, in accordance with the objects provided in Section 88 of the Act. Other ongoing multi-year project grants approved in a previous fiscal year are listed in the audited financial statements of the Foundation.

LEGAL EDUCATION

Community Legal Education Association (Manitoba), Incorporated		
<i>General Operating Grant 11/12</i>		\$ 50,000
Faculty of Law, University of Manitoba		
<i>General Funding Grant 11/12</i>		\$ 72,000
<i>Pro Bono Students Canada 11/12</i>		\$ 8,000
Manitoba Human Rights Commission		
<i>CASHRA conference – northern and rural travel subsidy</i>		\$ 5,000
Native Law Centre, University of Saskatchewan		
<i>General Operating 11/12</i>		\$ 12,000

LEGAL RESEARCH

Legal Research Institute – University of Manitoba		
<i>General Operating 11/12</i>		\$ 80,000

LEGAL AID SERVICES

Community Legal Education Association (Manitoba), Incorporated		
<i>Law Phone-In, Lawyer Referral Service 11/12</i>		\$ 60,000
Community Unemployed Help Centre		
<i>General Operating 11/12</i>		\$ 20,000
Legal Aid Manitoba		
<i>Public Interest Law Centre 11/12</i>		\$180,000
<i>University Legal Aid Clinic 11/12</i>		\$ 86,000
Legal Help Centre (University of Winnipeg)		
<i>Summer Student Advocacy 2011</i>		\$ 19,820
<i>Summer Student Advocacy 2012</i>		\$ 20,000

LAW REFORM

Manitoba Law Reform Commission		
<i>General Operations 11/12</i>		\$120,000

LAW LIBRARIES

E. K. Williams Law Library, University of Manitoba		
<i>Acquisitions and Maintenance 11/12</i>		\$ 54,000
<i>Student Peer Computer Counsellor</i>		\$ 28,000
Manitoba Law Library Inc.		
<i>Courthouse Libraries 11/12</i>		\$120,000

Additional discretionary grants totaling \$890,000 for fiscal year 2012/2013 were approved conditionally for payment from monies available in that year.

CHAIRPERSON'S COMMENTS

Sadly for me, this is the last opportunity that I will have to contribute the Chairperson's Comments to an Annual Report of The Manitoba Law Foundation, as I will be retiring from the Board and from my position as Chair, effective June 30, 2012.

When I was first appointed as the Chair of the Foundation's Board in 1997, I had no idea that I would be embarking on a 15-year odyssey of board leadership that would travel through a number of economic storms and provide me with an opportunity to observe, first hand, the very best that people can give of their time and of their intellectual resources, in both in good financial times - and bad.

I have had the distinct pleasure of serving on the Board of a Foundation that has, since its inception, provided over \$66 Million in grants to a multitude of worthy grant recipients; with over \$46 Million of that amount given to the Foundation's statutory grant recipients, over \$18 Million of that amount given to discretionary grant recipients and \$1 Million of that amount given to the Faculty of Law at the University of Manitoba by way of a special grant.

All of the above-mentioned grant money has been applied towards worthwhile projects that have benefited the citizens of Manitoba in diverse and numerous ways. I am confident that every dollar of that money has been well spent as the reports that we have received back from our grant recipients over time have served to confirm the positive impact that such funds have had in the community at large.

In my service as the Chair over the past 15 years, I have enjoyed the privilege of serving on the Board along with a group of dedicated board members who have always treated their responsibilities seriously and have done their best to ensure that the Foundation's financial resources have been used wisely. Despite the difficulties in the planning process imposed upon the Board by the extreme volatility of the Foundation's main source of revenue (namely, the interest

that is earned on lawyers' trust accounts), the Board has been careful to introduce and adopt policies and procedures that would ensure the presence of a sound base for granting in both good financial times and bad. This approach has served to provide a level of comfort and certainty for our grant recipients, particularly our discretionary grant recipients, that has enabled them to continue with their good works even when financial times are tough. Unfortunately, it is the nature of the legal world that the services of our grant recipients are often most sorely needed when the prevailing economic climate is at its worst.

I would like to take this opportunity to thank the current and past Directors of the Foundation for the time, effort and dedication that they have given to the affairs of the Foundation over all of the years that I have had the pleasure to serve as the Foundation's Chair. Their efforts have certainly served to make my job easier.

I would also like to thank the Foundation's Executive Director, Barbara Palace Churchill, and its Accounting Services Manager, Helen O'Connor, for the hard work and dedication that they have consistently provided during my tenure as Chair. I will greatly miss having the opportunity to work directly with them. I know that they will continue to provide the same level of dedication and service to the Foundation and its incoming Chair, Garth Smorang, Q.C., in the years ahead.



RICHARD M. SWYSTUN
Chairperson
The Manitoba Law Foundation

June 30, 2012

**The Manitoba Law
Foundation**

**Financial Statements
March 31, 2012**

June 14, 2012

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, 2012 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 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 2 describes the Foundation's revenue recognition policy, which in our opinion, is not in accordance with generally accepted accounting principles. The note indicates that interest income on lawyers' trust accounts is not accrued as earned but rather recorded on a cash basis. Had generally accepted accounting principles been used, interest income on lawyers' trust accounts would be reported on an accrual basis and unallocated revenue for the year would increase by \$15,955 (2011 - \$40,539) and both accrued interest receivable and unrestricted net assets would increase by \$104,152 (2011 - \$88,197).

Qualified opinion

In our opinion, except for the possible 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

The Manitoba Law Foundation

Statement of Financial Position

As at March 31, 2012

	2012 \$	2011 \$
Assets		
Cash	118,081	142,118
Investment (note 3)	4,959,419	5,408,427
Accrued interest receivable	37,168	39,537
Capital assets (note 4)	2,672	6,618
	<u>5,117,340</u>	<u>5,596,700</u>
Liabilities		
Grants allocated and undisbursed (Schedule)	<u>1,522,168</u>	<u>1,167,890</u>
Net Assets		
Unrestricted	338,140	1,167,832
Invested in capital assets	2,672	6,618
Internally restricted (note 5)		
Reserve for future grants	2,754,360	2,754,360
Access to Justice Fund	500,000	500,000
	<u>3,595,172</u>	<u>4,428,810</u>
	<u>5,117,340</u>	<u>5,596,700</u>
Commitments (note 6)		

Approved by the Board of Directors

Director

Director

The Manitoba Law Foundation

Statement of Operations

For the year ended March 31, 2012

	2012 \$	2011 \$
Revenue		
Interest received on lawyers' trust accounts	1,414,611	1,000,222
Interest earned on investments	232,843	249,291
	<u>1,647,454</u>	<u>1,249,513</u>
Administrative expenditures		
Audit and legal	7,856	8,222
Board fees	11,950	10,600
Courier	476	263
Insurance	1,307	732
Meeting expenses	4,127	2,612
Memberships and dues	1,122	3,611
Miscellaneous expense	904	489
Office, postage and telephone	6,368	8,597
Personnel	113,000	109,940
Rent	18,000	18,000
Travel	7,693	6,605
	<u>172,803</u>	<u>169,671</u>
Excess of revenue over expenditures	1,474,651	1,079,842
Grants allocated during the year (Schedule)	<u>(2,172,685)</u>	<u>(1,743,795)</u>
	(698,034)	(663,953)
Amortization of capital assets	<u>(3,946)</u>	<u>(3,946)</u>
Excess of expenditures over revenue after allocation of grants	<u>(701,980)</u>	<u>(667,899)</u>

The Manitoba Law Foundation

Statement of Changes in Net Assets

For the year ended March 31, 2012

					2012	2011
	Unrestricted \$	Invested in capital assets \$	Internally restricted - Reserve for Future Grants \$ (note 5)	Internally restricted - Access to Justice Fund \$ (note 5)	Total \$	Total \$
Balance - Beginning of year	1,167,832	6,618	2,754,360	500,000	4,428,810	4,883,102
Excess of expenditures over revenue after allocation of grants	(701,980)	-	-	-	(701,980)	(667,899)
Fair value adjustment on available for sale investments	(149,008)	-	-	-	(149,008)	213,607
Amortization of capital assets	3,946	(3,946)	-	-	-	-
Reallocation of small grant	17,350	-	-	-	17,350	-
Balance - End of year	338,140	2,672	2,754,360	500,000	3,595,172	4,428,810

The Manitoba Law Foundation

Statement of Cash Flows

For the year ended March 31, 2012

	2012	2011
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenue after allocation of grants	(701,980)	(667,899)
Item not affecting cash		
Amortization	3,946	3,946
	(698,034)	(663,953)
Net change in non-cash working capital items	356,647	89,278
	(341,387)	(574,675)
Investing activities		
Redemption of investments	300,000	-
Financing activities		
Reallocation of small grant	17,350	-
Decrease in cash	(24,037)	(574,675)
Cash - Beginning of year	142,118	716,793
Cash - End of year	118,081	142,118

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2012

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 Significant accounting policies

Future accounting changes

Accounting standards for not-for-profits ("NPOs")

The Accounting Standards Board issued a comprehensive set of accounting standards and guidelines applicable to not-for-profit organizations. A not-for-profit organization whose financial statements comply with the revised Canadian Institute of Chartered Accountants handbook will state that its financial statements are in compliance with Canadian generally accepted accounting principles for not-for-profits. The standards and guidelines will apply for fiscal years beginning on or after January 1, 2012 and will require retroactive application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Foundation has approved the adoption of these standards and guidelines for the fiscal year ending March 31, 2013.

Significant accounting policies are as follows:

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 generally accepted accounting principles, which requires income to be reported on an accrual basis.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2012

Investments

Investments are recorded at fair value. Purchases and sales of investments are recognized using settlement date accounting. Unrealized gains or losses are recorded as an adjustment to net assets. Realized gains or losses are recorded in operations.

Interest on investments is recorded in revenue on an accrual basis.

Capital assets

Capital assets are recorded at cost. Amortization is recorded at rates intended to amortize the cost of capital assets over their useful lives as follows:

Furniture and fixtures	straight-line method with useful life of 5 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.

Risk management

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.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2012

Financial instruments

Fair value

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Foundation's designation of such instruments.

Classification

Investments	Available for Sale
Accrued interest receivable	Loans and receivables
Grants allocated and undisbursed	Other financial liabilities

Available for sale ("AFS")

Investments designated as AFS are recorded at fair value being the quoted market value on March 31, 2012, which approximates the last bid price. Changes in fair value of AFS investments are recorded on the statement of changes in net assets until these investments are sold or impaired, at which time the gain or loss is recorded in the statement of operations.

Loans and receivables

Accrued interest is designated as a receivable and is measured at amortized cost. Revenue arising from these items is recognized in operations in the year it arises.

Other Liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the nature of these liabilities, the carrying value approximates fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenses during the reporting period. Actual amounts could differ from those estimates.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2012

3 Investment, at fair value

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 5).

Total interest earned for the year on The Winnipeg Foundation Consolidated Trust Fund was \$230,116 (2011 - \$244,620).

4 Capital assets

			2012	2011
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	19,732	17,060	2,672	6,618

5 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 3.

6 Commitments

The Foundation's Board has conditionally approved 2012/2013 discretionary grants in an amount of \$890,000. Should there be insufficient revenue remaining in 2012/2013 after payment of non-discretionary grants and administrative expenditures, these conditionally approved 2012/2013 discretionary grants will be paid firstly from unallocated revenue and secondly from reserve for future grants.

The Manitoba Law Foundation

Schedule of Grants Allocated and Undisbursed

For the year ended March 31, 2012

	Allocated during prior fiscal years \$	Allocated during fiscal 2012 \$	Undisbursed as at March 31, 2012 \$
Per subsection 90(2) The Legal Profession Act			
Legal Aid Services Society of Manitoba	-	928,398	928,398
Law Society of Manitoba	-	309,467	309,467
	-	1,237,865	1,237,865
Per subsection 90(4) The Legal Profession Act (discretionary)			
(a) Legal education			
Community Legal Education Association			
General Operating 2011/2012	-	50,000	-
Faculty of Law, University of Manitoba			
General Funding Grant 2011/2012	-	72,000	-
Native Law Centre, University of Saskatchewan			
General operating 2011/2012	-	12,000	-
Faculty of Law, University of Manitoba			
Pro Bono Students Canada 2011/2012	-	8,000	-
(b) Legal research			
Legal Research Institute - University of Manitoba			
General Operating 2011/2012	-	80,000	-
(c) Legal aid services			
Legal Aid of Manitoba			
Public Interest Law Centre 2011/2012	-	180,000	-
University Legal Aid Centre 2011/2012	-	86,000	-
Community Legal Education Association			
Law Phone-In, Lawyer Referral Service 2011/2012	-	60,000	-
Community Unemployed Help Centre			
General Operating 2011/2012	-	20,000	-
(d) Law reform			
Manitoba Law Reform Commission			
General Operating 2011/2012	-	120,000	-
(e) Law libraries			
E.K. Williams Law Library			
Acquisitions and Maintenance	162,000	54,000	38,068
Student Peer Computer Counsellor	-	28,000	-
Manitoba Law Library Inc. 2011/2012	-	120,000	-
Carried forward	162,000	2,127,865	1,275,933

The Manitoba Law Foundation

Schedule of Grants Allocated and Undisbursed ...continued

For the year ended March 31, 2012

	Allocated during prior fiscal years \$	Allocated during fiscal 2012 \$	Undisbursed as at March 31, 2012 \$
Brought forward	162,000	2,127,865	1,275,933
(f) Small grants program			
Legal Help Centre (University of Winnipeg)			
Summer 2011 Student Advocacy Project	-	19,820	-
Summer 2012 Student Advocacy Project	-	20,000	20,000
Manitoba Human Rights Commission			
CASHRA Conference – northern and rural travel subsidy	-	5,000	5,000
(g) Project Grants			
Manitoba Interfaith Immigration Council	178,190	-	46,235
(h) Pilot Program Initiative Grant			
LEAF Manitoba	150,000	-	25,000
Resource Assistance for Youth ("RaY")	150,000	-	150,000
	<u>640,190</u>	<u>2,172,685</u>	<u>1,522,168</u>