



ANNUAL REPORT

2015 / 2016

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 thirtieth Annual Report of **The Manitoba Law Foundation**.

Financial Statements for the year ended 31 March 2016 were examined by the Foundation's auditors, PricewaterhouseCoopers LLP, Chartered Accountants, whose report dated the 9th of June 2016 is attached. The Financial Statements were approved by the Foundation's Directors at a meeting of the Board held on the 9th of June 2016.

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* there are 10 members, whose 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 2019)
Lori Ferguson-Sain, Vice-Chairperson	(to September 2018)
Monica Adeler	(to December 2016)
Terumi Kuwada	(to September 2018)
Janna Cumming	(to September 2017)

B. Appointed by The Law Society of Manitoba

Helga Van Iderstine	(to August 2015; term expired)
Diane Stevenson	(to August 2016)
Jack Cram	(to August 2017)
William Gange	(to August 2018)

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

Gary Goodwin	(to August 2015; term expired)
Karlee Blatz	(to August 2018)

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, 2016 the Board met in Winnipeg in June, October and December 2015 and in March 2016.

FINANCIAL HIGHLIGHTS

	2015/2016	2014/2015	Change
Interest on Lawyers' Trust Accounts	\$1,771,297	\$2,013,244	- 12%
Income from investment (realized)	\$ 237,568	\$ 231,150	+ 2.7%
Total Revenues	\$2,008,865	\$2,244,394	- 10.5%

GENERAL

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. Organizations may apply to the Foundation for project or program grants relating to the Foundation's objectives and to assist it in reaching its mission and vision. Details about the Foundation and information about the application process Foundation can be found on its website at www.manitobalawfoundation.org. The program and project grant recipients for fiscal year 2015/2016 are listed later in this report.

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.

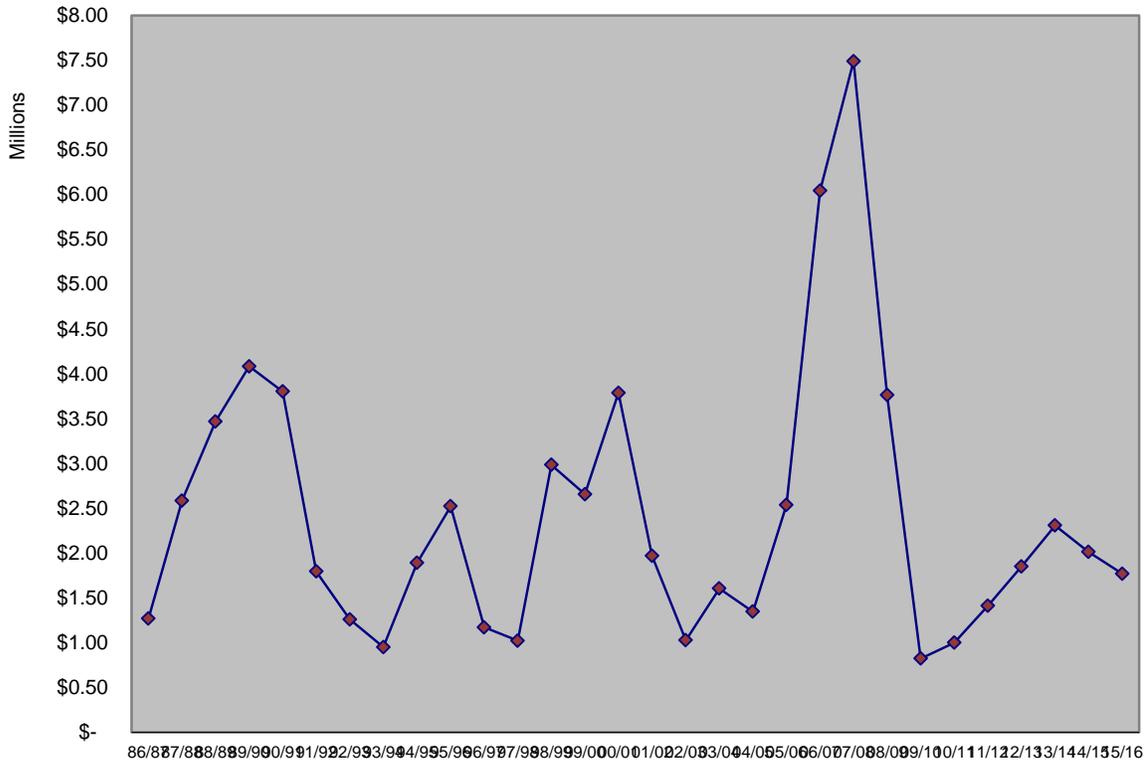
To help in guiding its granting and policy decision-making, the Foundation's board has also adopted the following vision and mission statements:

Vision: Advancing justice through access, knowledge and understanding

Mission: The Manitoba Law Foundation commits to advancing legal knowledge, fostering excellence within the legal profession and facilitating community understanding of the justice system. The MLF funds programs and initiatives that promote and enhance these commitments.

IOLTA REVENUE

The Foundation receives the vast majority of revenues from interest on lawyers pooled trust accounts (IOLTA), and a smaller revenue stream from its investments held long term with the Winnipeg Foundation in a Managed Fund. IOLTA revenues received by the Foundation are based on interest rate formulas negotiated with each financial institution in Manitoba that holds 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 external economic factors, and are therefore highly volatile. The chart below illustrates the historical variability of IOLTA revenue since 1986:



The Foundation saw a decrease in IOLTA revenues for the fiscal year, from \$2 million in the prior year to just over \$1.77 million in the 2015/16 fiscal year. This decrease was as a result of a drop in the Prime Rate in July 2015 from 2.85% to 2.7%. The timing of this rate decrease resulted in a drop in overall revenues for the year, as it coincided with the traditionally highest-revenue months for the Foundation. 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, and the Foundation is focusing on maximizing its revenue where possible.

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. The Foundation's Reserve and amounts not required for the short-term cash flow needs of the Foundation are held in the Fund. Short-term investments can be 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.

For 2015/16, the Foundation's statements show total investment revenue received and accrued of (\$84,171). Although this figure shows a loss, this loss is the result of the fair value adjustment on the market value of the Winnipeg Foundation Managed Fund, whose market value went down during the course of the fiscal year. Because of changes to accounting standards for not for profit organizations (ASNPO) put in place over the past 3 years, this unrealized decrease in value (or gain, 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.

This reduction in market value is, however, an unrealized amount marked as of March 31st of the year. The statements' investment income figure is composed of three distinct components: \$233,091 in actual income payments received from the Winnipeg Foundation (up from \$224,220 the prior year); \$4,477 in bank interest (down from \$6,930 the prior year); and a loss of \$321,739 in fair value adjustment on the Winnipeg Foundation Managed Fund. The fair value adjustment is unrealized revenue/loss, as it illustrates a snapshot of the change in the fair market value of the Winnipeg Foundation Managed Fund between April 1st, 2015 and March 31st, 2016. Although the market value of the Managed Fund is shown to decrease by this amount during the fiscal year, this amount was not actually lost on a cash basis. The actual cash loss from this decrease would only be received if the Fund was dissolved as of March 31st. Similarly, where there is a market value gain in the Managed Fund, as was the case in the prior fiscal year, this unrealized gain flows through the Statement of Operations, but is not an actual cash gain.

FOUNDATION OPERATIONS

The Foundation endeavours to maintain a streamlined operation, with its 2015/16 operational expenses being less than 10% of its total realized revenue. It employs an Executive Director, Barbara Palace Churchill, and contracts with its Accounting Services Manager, Helen O'Connor, on a fee for service basis. On July 1st of this fiscal year, our offices moved from 300-207 Donald Street, where they had been for 5 years, to 701-177 Lombard Avenue at the Commerce Executive Centre. The operational expenditures for the year were \$192,108, an increase of \$10,000 over the prior year, which was primarily a result of costs associated with moving and from hosting the national meeting of the Association of Canadian Law Foundations in September 2015.

RESERVE FOR FUTURE GRANTS

The Foundation maintains a Reserve for future discretionary grants. The major purpose of the Reserve is to provide some stability for discretionary granting during periods of revenue reductions, for as noted earlier, IOLTA revenues are highly volatile. The Foundation's Reserve Policy indicates 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.

Over the history of the Foundation, significant draws on the Reserve have been taken to maintain discretionary granting levels in periods of low revenue. During the years of 2003/04 to 2005/06, draws were necessary to maintain stability for organizations receiving core discretionary grants. When interest rates and IOLTA revenues rose, the Foundation was able to replenish its Reserve to its maximum level.

Since 2011, as a result of economic conditions and a continuing low interest rate environment, further draws on the Reserve of varying levels each year have been required to maintain granting levels. 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 the listed statutory grants. (see explanation of formula under *Grants* below) In fiscal year 2015/16, the Board approved use of the Reserve in the amount of \$21,431 for the purposes of discretionary grants. Because of the judicious use of the Reserve, the board was able to maintain most of its discretionary granting budget for these low-IOLTA fiscal years, however, some reductions have been necessary.

Knowing that the Reserve was not inexhaustible, over the past few years the Foundation undertook a strategic review of its core discretionary granting with a view to determining a sustainable level that would maximize the utility of this granting. As a result of that process, a focus on collaboration was expressed to all grantees and new applicants, and a new application review process was developed and implemented. This new process was used first in 2014/15, with a second iteration used in 2015/16. It has proven to be very helpful to the board in making difficult granting decisions.

The level of the Reserve at the end of fiscal 2015/2016 was \$2,030,304. Given the lower Prime Rate, the Foundation anticipates that further significant draws on the Reserve will be necessary in the coming fiscal year. The board will be reviewing the Reserve level and the Foundation's internal policies and bylaws in the coming year with a view to planning for the future.

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 2016/2017 fiscal year will be similar to 2015/2016. There is potential for higher revenues if improvements can be made to interest rate arrangements with financial institutions and ensuring that the Foundation is receiving revenues from all trust accounts. The Foundation's board has made this a priority for the coming year. 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 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 2015/2016 fiscal year.

1. *The Legal Aid Services Society of Manitoba*

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

2. *The Law Society of Manitoba*

Disbursed	\$	335,383
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 \$738,650 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 September 30th of each year.

Twelve core discretionary grants and three 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 (Manitoba)</i>	\$ 14,000
Native Law Centre, University of Saskatchewan <i>General Operating</i>	\$ 12,000
University of Winnipeg, Centre for Interdisciplinary Justice Studies, Dr. R. Jochelson et al <i>Placing Justice conference</i>	\$ 5,000

LEGAL RESEARCH

Brandon University, Aboriginal Health and Wellness, Dr. Y. Boyer <i>Advancing the Aboriginal Right to Health</i>	\$ 18,000
Legal Aid Manitoba, Public Interest Law Centre <i>Justice Starts Here research project</i>	\$ 12,650
Legal Research Institute – University of Manitoba <i>General Operating</i>	\$ 80,000

LEGAL AID SERVICES

Community Legal Education Association (Manitoba) <i>Law Phone-In, Lawyer Referral Service</i>	\$ 60,000
Community Unemployed Help Centre <i>General Operating</i>	\$ 20,000
Legal Aid Manitoba <i>Public Interest Law Centre</i>	\$ 90,000
<i>University Legal Aid Clinic</i>	\$ 43,000
Legal Help Centre <i>General Operating</i>	\$ 80,000

LAW REFORM

Manitoba Law Reform Commission <i>General Operations</i>	\$100,000
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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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Additional discretionary grants totaling \$836,000 for fiscal year 2016/2017 were approved conditionally for payment from monies that will be available in that year.

Report from the Chair

As Chair of the Manitoba Law Foundation, I am pleased to provide my annual report for the fiscal year ending March 31, 2016.

Regrettably, this year our IOLTA revenue was down approximately \$243,000 from last year, and is still at the low end of the scale historically. This was due in part to a drop in the prime rate from 2.85% to 2.7% in July 2015. Interest rates remain low and it does not appear this will change significantly in the short term.

Due to declining revenue, the Foundation Board needed, once again, to access our reserve fund in order to meet the grants we have authorized this past year. The Discretionary Grants approved this year were in the aggregate amount of \$703,000, which is approximately 28% lower than our grants last year. In addition we awarded three project grants, totaling \$35,650 to Brandon University, Aboriginal Health and Wellness, the University of Winnipeg, Centre for Interdisciplinary Justice Studies, and the Public Interest Law Centre.

In September 2015, the Foundation successfully hosted the annual national meeting of the Association of Canadian Law Foundations at which representatives from across Canada participated in three days of meetings in Winnipeg.

In accordance with the goals set by our strategic plan, we will focus this year on maximizing sources of revenue including ensuring that we are receiving interest on all lawyers' trust accounts open in Manitoba.

We will also be holding a special Board meeting this October to review the current state of our bylaws and to make revisions as necessary to ensure we are engaging in best practices as a Board.

I would like to take this opportunity to thank the Directors of the Foundation for their time, effort, and dedication, especially my Vice-Chair, Lori Ferguson Sain, and to welcome our newest Board member, Janna Cumming.

On behalf of the Board, we acknowledge the hard work and dedication over the past year of the Foundation's Executive Director, Barbara Palace Churchill, and our Accounting Services Manager, Helen O'Connor.

For current information concerning the Foundation, please 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, 2016



June 9, 2016

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, 2016 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
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020*

**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 \$7,641 (2015 - \$29,704) and both accrued interest receivable and unrestricted net assets would increase by \$108,218. The effect on opening unrestricted net assets as at April 1, 2015 was \$115,859. Our audit opinion on the financial statements for the year ended March 31, 2015 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, 2016 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 Professional Accountants

The Manitoba Law Foundation

Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
Assets		
Cash	182,344	264,484
Investment (note 4)	4,583,705	5,105,444
Accrued interest receivable	36,919	42,708
Capital assets (note 5)	85	1,749
	<hr/> 4,803,053	<hr/> 5,414,385
Liabilities		
Grants allocated and undisbursed (schedule)	<hr/> 1,431,550	<hr/> 1,454,574
Net Assets		
Unrestricted	1,341,114	1,906,327
Invested in capital assets	85	1,749
Internally restricted (note 6) Reserve for future grants	<hr/> 2,030,304	<hr/> 2,051,735
	<hr/> 3,371,503	<hr/> 3,959,811
	<hr/> 4,803,053	<hr/> 5,414,385
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, 2016

	2016 \$	2015 \$
Revenue		
Interest received on lawyers' trust accounts	1,771,297	2,013,244
Investment income (loss) (note 7)	(84,171)	598,614
	<hr/> 1,687,126	<hr/> 2,611,858
Administrative expenditures		
Audit and legal	8,611	8,159
Board fees	11,800	11,350
Courier	355	448
Insurance	985	1,358
Meeting expenses	3,352	3,860
Memberships and dues	1,105	689
Miscellaneous expense	5,009	1,006
Office, postage and telephone	10,220	5,449
Personnel	121,509	124,776
Rent	21,148	18,600
Travel	8,014	6,252
	<hr/> 192,108	<hr/> 181,947
Excess of revenue over expenditures for the year	1,495,018	2,429,911
Grants allocated during the year (schedule)	<hr/> (2,081,662)	<hr/> (2,379,110)
	(586,644)	50,801
Amortization	<hr/> (1,664)	<hr/> (2,215)
Excess (deficiency) of revenue over expenditures after allocation of grants	<hr/> (588,308)	<hr/> 48,586

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, 2016

				2016	2015
	Unrestricted \$	Invested in capital assets \$	Internally restricted - Reserve for Future Grants \$ (note 6)	Total \$	Total \$
Balance - Beginning of year	1,906,327	1,749	2,051,735	3,959,811	3,911,225
Excess (deficiency) of revenue over expenditures after allocation of grants	(588,308)	-	-	(588,308)	48,586
Amortization of capital assets	1,664	(1,664)	-	-	-
Interfund transfer	21,431	-	(21,431)	-	-
Balance - End of year	1,341,114	85	2,030,304	3,371,503	3,959,811

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, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures after allocation of grants	(588,308)	48,586
Items not affecting cash		
Amortization	1,664	2,215
Fair value adjustment on investments	321,739	(367,464)
	<hr/>	<hr/>
	(264,905)	(316,663)
Changes in non-cash working capital items	(17,235)	(166,888)
	<hr/>	<hr/>
	(282,140)	(483,551)
Investing activities		
Redemption of investments	200,000	450,000
	<hr/>	<hr/>
Decrease in cash during the year	(82,140)	(33,551)
Cash - Beginning of year	264,484	298,035
	<hr/>	<hr/>
Cash - End of year	182,344	264,484
	<hr/>	<hr/>

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

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2016

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, 2016

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:

Computer hardware and software	3 years
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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, 2016

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 \$223,091 (2015 - \$224,220).

5 Capital assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware and software	6,645	6,560	85	1,749

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 \$21,431 was made from the reserve fund to the operating fund to meet the amount required for core and project funding.

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2016

7 Investment income

	2016 \$	2015 \$
Sundry interest	4,477	6,930
Distributions received on investments (note 4)	233,091	224,220
Fair value adjustment on investments	(321,739)	367,464
	<u>(84,171)</u>	<u>598,614</u>

8 Commitments

The Foundation's Board has conditionally approved 2016/2017 discretionary grants in an amount of \$836,000. Should there be insufficient revenue remaining in 2016/2017 after payment of non-discretionary grants and administrative expenditures, these conditionally approved 2016/2017 discretionary grants will be paid firstly from unallocated revenue and secondly from the Reserve.

9 Related party transactions

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

	2016 \$	2015 \$
Discretionary grants payable to entities related to Board members (included in grants allocated and undisbursed)	42,021	42,021
Discretionary grants allocated during the year to entities related to Board members	381,000	632,000
Small grants allocated during the year to entities related to Board members	-	27,472

The discretionary grants allocated as at March 31, 2016 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
Pro Bono Students Canada (Manitoba)	14,000
Public Interest Law Centre	90,000
University of Manitoba Law Clinic	43,000
	<u>381,000</u>

The Manitoba Law Foundation

Notes to Financial Statements

March 31, 2016

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

10 Financial instruments

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Foundation 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, 2016

	Allocated during fiscal 2016 \$	Undisbursed as at March 31, 2016 \$
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/> 1,343,012	<hr/> 1,343,012
Per subsection 90(4) The Legal Profession Act (discretionary)		
(a) Legal education		
Community Legal Education Association General Operating 2015/2016	50,000	-
Faculty of Law, University of Manitoba General Funding Grant 2015/2016	72,000	-
Native Law Centre, University of Saskatchewan General operating 2015/2016	12,000	-
Faculty of Law, University of Manitoba Pro Bono Students Canada (Manitoba) 2015/2016	14,000	-
(b) Legal research		
Legal Research Institute - University of Manitoba General Operating 2015/2016	80,000	-
(c) Legal aid services		
Legal Aid of Manitoba Public Interest Law Centre 2015/2016	90,000	-
University of Manitoba Law Clinic 2015/2016	43,000	-
Community Legal Education Association Law Phone-In, Lawyer Referral Service 2015/2016	60,000	-
Community Unemployed Help Centre General Operating 2015/2016	20,000	-
Legal Help Centre General Operating 2015/2016	80,000	-
(d) Law reform		
Manitoba Law Reform Commission General Operating 2015/2016	100,000	-
(e) Law libraries		
E.K. Williams Law Library* Acquisitions and Maintenance	82,000	42,021
Carried forward	<hr/> 2,046,012	<hr/> 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, 2016

	Allocated during fiscal 2016 \$	Undisbursed as at March 31, 2016 \$
Brought forward	2,046,012	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
Brandon University, Aboriginal Health and Wellness Advancing the Aboriginal Right to Health research project	18,000	5,736
University of Winnipeg, Centre for Interdisciplinary Justice Studies Placing Justice conference	5,000	5,000
Public Interest Law Centre Justice Starts Here research project	12,650	12,650
	<u>2,081,662</u>	<u>1,431,550</u>

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

The balance of \$42,021 which was undisbursed as at March 31, 2016 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.

