

# **NEW BRUNSWICK LAW FOUNDATION**



**2012 - 2013**

**ANNUAL REPORT**

# NEW BRUNSWICK LAW FOUNDATION

68 Avonlea Court  
Fredericton, N.B., E3C 1N8

I am pleased to present the Annual Report of the New Brunswick Law Foundation for the year ending April 30, 2013.

The information contained in this report provides a profile of the Foundation. Individuals and organizations wishing to apply for a grant to undertake a law-related project are invited to communicate with the Executive Director to obtain more information and an application form. The annual report and application forms for grants and graduate scholarships are also available through the New Brunswick Law Foundation link on the Law Society of New Brunswick website (<http://www.lawsociety-barreau.nb.ca/>).

The funds available for disbursement through the Law Foundation result from the cooperative efforts of many individuals and groups including the members of the Law Society of New Brunswick. The continued success of the New Brunswick Law Foundation and the projects it supports owe much to this cooperation.

During the past several years, we have experienced historically low interest rates. In fiscal year 2008-09, the prime rate decreased from 4.75% in May 2008 to 2.25% in April 2009. The prime rate remained at 2.25% during 2009-10 resulting in a reduction of 68% of the interest revenue on lawyers' mixed trust account. From May 2010 to September 2010, the prime rate gradually increased from 2.25% to 3%. Due to a slight reduction of the floor rate by one financial institution, the interest revenue on lawyers' mixed trust accounts remained the same as in the previous year. During 2011-12 and 2012-13, the interest revenue increased by approximately 21% each year due to a renegotiated interest arrangement with one financial institution. The new arrangement became effective January 1, 2012. The prime rate has remained at 3% since September 9, 2010.

The accounts of the Foundation have been examined by the accounting firm of Grant Thornton. The audited financial statements for the fiscal year ended April 30, 2013 form part of this report.

I extend my thanks to the Directors for their continued dedication and support during the year and to the Executive Director for his efforts to improve the financial situation of the Foundation.

C. Paul W. Smith  
Chairperson

## **PURPOSE**

The New Brunswick Law Foundation was established in 1975 by an amendment to the Barristers' Society Act (now the Law Society Act, 1996). This amendment directed that the interest earned on lawyers' mixed trust accounts be paid to the Foundation.

The purposes for which the Foundation's funds can be used are stipulated by statute. These are:

- \* Legal aid
- \* Legal research
- \* Legal education
- \* Law reform
- \* Establishing, maintaining and operating law libraries
- \* Bursaries and scholarships for the study of law
- \* Such other purposes related to the law as are, in the opinion of the Board, for the benefit of the public

## **REVENUES**

The Foundation derives its revenues primarily from the interest on mixed trust accounts. The interest received is calculated by most financial institutions on the basis of prime rate minus 2 % - 3.5% with an agreed minimum rate. Basic service charges have been waived by some institutions while others continue to deduct such charges. Careful monitoring and negotiation of the rates and charges continue both provincially and nationally. The national efforts are made through the Association of Canadian Law Foundations of which the New Brunswick Law Foundation is a member.

## **ADMINISTRATION**

The New Brunswick Law Foundation is administered by a Board of Directors consisting of seven members. As a consequence of amendments to the Law Society Act, 1996 effective July 1, 2009, the seven members of the Board of Directors are appointed by the Law Society, of which five directors, including the chairperson, are required to be members of the Society and two directors are appointed as public representatives. The Directors meet as required to review grant applications and to determine investment and general administrative policies. One part-time staff member administers day-to-day affairs.

## **BOARD OF DIRECTORS**

At year-end April 30, 2013, the members of the Board of Directors were:

C. Paul W. Smith, Chairperson  
Robert Penney, Treasurer  
Christa Bourque  
Denyse H. Landry, c.r.  
Cameron H. Gunn  
Joel Attis  
W. Keir Clark

## **STAFF**

Alban Martin, Executive Director

## **GRANTS POLICY**

Although the Foundation has not formally adopted a general grants policy, certain guidelines and principles are normally observed. These are:

- \* Priority is given to projects and programs that offer benefits directly or indirectly to the residents of New Brunswick.
- \* Grants are normally made on a seed-money or one-time basis with long-term commitments being avoided.
- \* The grants budget in any year is to be based on the revenues realized in the preceding year.
- \* Any formula for the allocation of funds on a percentage basis among the several statutory objects must be flexible enough to allow for unusual fluctuations in revenues realized from year to year.
- \* Grants are normally given for a one-year period subject to an extension of time at the request of the grantee.

## **GRANTS CONDITIONS**

The Board attaches the following conditions to grants:

- \* The term of a grant is one year. Any funds remaining unexpended at the end of the year lapse. If the project extends beyond a year, the approval of the Foundation must be obtained to continue the approved funding into the following year.
- \* Funds are to be expended in accordance with the budget submitted with the application. Any proposed significant digression from the budget must be approved in advance by the Foundation.
- \* Any publicity or publication in connection with, or arising out of, the project is to indicate the Foundation's participation.
- \* Upon completion of the project, a final report and accounting must be provided. If the project is to extend beyond a year, then a progress report must be submitted on the expiration of the first year.
- \* The grant is not to be regarded as representing a continuing commitment of support by the Law Foundation.

## **MEETINGS**

The Board of Directors has met twice during the year to consider grant applications and to review and formulate investment and administrative policies.

## FINANCIAL HIGHLIGHTS

### 1. REVENUE

| Source                                   | 2012-13          | 2011-12          |
|--|------------------|------------------|
| Interest / Lawyers' mixed trust accounts | \$557,869        | \$474,705        |
| Interest / Bank Account                  | 64,886           | 37,547           |
| Interest / Investment                    | 129,545          | (57,501)         |
| Interest / long-term note receivable     | 21,937           | 21,589           |
| Unclaimed trust funds                    | <u>16,166</u>    | <u>5,182</u>     |
| <b>Total</b>                             | <b>\$790,403</b> | <b>\$481,522</b> |

### 2. GRANTS

|                 |           |           |
|-----------------|-----------|-----------|
| Grants approved | \$489,696 | \$631,883 |
|-----------------|-----------|-----------|

## LOAN TO THE LAW SOCIETY OF NEW BRUNSWICK

In fiscal year 2010-11, the Foundation provided a loan to the Law Society of New Brunswick to assist in the financing of the acquisition of its new office premises. The loan was made for a 5 year term at market rates.

## RESERVE FUND

The Foundation has maintained a reserve fund to minimize fluctuations in the funds available for distribution. This fund has been placed in secure fixed-rate investments. Its total at the beginning of this fiscal year was \$1,557,155. The excess of revenues over expenditures during the year was \$129,545. The balance of the reserve fund at the end of the year was \$1,686,700.

## GRANTS

During the year, a total of \$489,696 was authorized in grants to further the Foundation's objectives within law-related projects. A description of these projects is provided at the end of this report. The uncertain economic conditions and continued historic low interest rates have impacted on the Foundation's revenues with the result that the support of the Foundation to many worthy projects had declined considerably. However a consistent level of funding to three main grantees, namely Legal Aid, Law Libraries and PLEIS-NB has been maintained. It is expected that the economic situation will maintain pressure on the Foundation's revenue for the foreseeable period and will present challenges in reviewing future grant applications.

## LEGAL AID

The Foundation participates with the Province of New Brunswick in funding the Domestic Legal Aid program. The allocation for 2012-13 was \$175,000.

## ENDOWMENT FUNDS

In 1992, an endowment fund was created at each of the two law schools and has since provided significant financial support annually to the legal communities of the University of New Brunswick and Université de Moncton. The initial contribution was \$300,000. Additional contributions to each of these funds were made during the subsequent years with a final contribution of \$70,000 in 2006-07. The Foundation's objective of \$1,000,000 for each endowment fund has now been reached.

The Endowment Funds are managed by a Board of Trustees that includes a member of the Board of Directors of the Foundation.

## SCHOLARSHIPS AND BURSARIES

Undergraduate scholarships (\$129,657) and bursaries (\$65,343) were awarded to law students at the University of New Brunswick and the Université de Moncton.

The scholarship and bursary program is funded by revenue generated by the Scholarship Fund. The services of an investment counselor are utilized to advise on the investment of this fund which to date has been very satisfactory.

The current historically low interest rates are impacting on the income available to fund scholarships and bursaries. In order to continue to support the current level of scholarships and bursaries, the Law Foundation transferred \$100,000 to the Scholarship Fund in 2012-13.

## GRANTS APPROVED 2012-13

### 1. LAW SOCIETY OF NEW BRUNSWICK

#### Law Libraries

To assist in the maintenance of the provincial law libraries. \$180,000

#### Translation / Bar Exams

\$4,000

### 2. NEW BRUNSWICK LEGAL AID SERVICES COMMISSION (NBLASC)

#### Family Legal Aid Program

To assist in the provision of domestic legal aid services to NB residents. \$175,000

### 3. PUBLIC LEGAL EDUCATION AND INFORMATION SERVICE OF NEW BRUNSWICK (PLEIS-NB)

Support for the publication of public legal education literature. \$70,000

### 4. UNIVERSITY OF NEW BRUNSWICK / FACULTY OF LAW

#### Pro Bono Program

To assist in the provision of Pro Bono legal aid services to deserving not-for-profit organizations. \$8,424

#### Pro Bono Family Law Legal Information Project (FLLIP)

To assist in the provision of legal information to clients involved with family law disputes. \$5,065

#### Conference / October 25-26, 2012

To provide financial assistance for a conference on: The Legacy of the Charlottetown Accord Negotiations 20 years later. \$20,000

|           |  |                  |
|-----------|--|------------------|
| <b>5.</b> | <b>UNIVERSITÉ DE MONCTON / FACULTÉ DE DROIT</b>  |                  |
|           | <b>Programme Pro Bono</b>  |                  |
|           | To assist in the provision of Pro Bono legal aid services to deserving not-for-profit organizations.               | \$6,901          |
|           | <b>Société d'aide juridique étudiante (SAJE)</b>   |                  |
|           | To provide financial assistance for the provision of legal information to clients involved in family law disputes. | \$15,965         |
| <b>6.</b> | <b>CBA-NB</b>  |                  |
|           | To provide financial assistance for the translation of Index to Private Acts                                       | \$4,341          |
|           | <b>TOTAL</b>   | <b>\$489,696</b> |



Financial Statements

New Brunswick Law Foundation

April 30, 2013



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# Independent Auditors' report

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To the Chairperson and Members of the  
New Brunswick Law Foundation

and

To the President and Members of the  
Council of the Law Society of New Brunswick

We have audited the accompanying financial statements of the New Brunswick Law Foundation, which comprise the balance sheet as at April 30, 2013, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and 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



Grant Thornton

## Independent Auditors' report (Cont'd)

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 audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Law Foundation as at April 30, 2013, 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.

### **Comparative Information**

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that The New Brunswick Law Foundation adopted Canadian accounting standards for not-for-profit organizations on May 1, 2012 with a transition date of May 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at April 30, 2012 and May 1, 2011, and the statement of operations, statement of changes in fund balances and cash flows for the year ended April 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Fredericton, New Brunswick  
July 12, 2013

*Grant Thornton LLP*

Chartered Accountants

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**New Brunswick Law Foundation**  
**Statement of Operations - General Fund**

| Year Ended April 30,  | 2013               | 2012                |
|---|--------------------|---------------------|
|   |                    | (Unaudited)         |
| Revenue   |                    |                     |
| Interest - trust accounts   | \$ 557,869         | \$ 474,705          |
| - bank accounts   | 64,886             | 37,547              |
| - long-term note receivable (Note 6)                                | 21,937             | 21,589              |
| Unclaimed trust funds (Note 13)                                     | <u>16,166</u>      | <u>5,182</u>        |
|   | <u>660,858</u>     | <u>539,023</u>      |
| <br>Expenditures  |                    |                     |
| Depreciation  | 1,020              | 1,020               |
| Office  | 7,400              | 4,714               |
| Professional fees   | 10,566             | 11,413              |
| Rent  | 15,814             | 12,966              |
| Salaries and benefits   | 57,608             | 54,389              |
| Travel and meetings   | <u>10,183</u>      | <u>2,134</u>        |
|   | <u>102,591</u>     | <u>86,636</u>       |
| Excess of revenue over expenditures before grants and contributions | <u>558,267</u>     | <u>452,387</u>      |
| <br>Grants and contributions  |                    |                     |
| Grants paid (Page 17)   | 604,318            | 759,864             |
| Decrease in outstanding grants (Note 10)                            | (161,918)          | (139,790)           |
| Contribution to New Brunswick Law Foundation Scholarship Trust      | 100,000            | -                   |
| Subsidy to New Brunswick Law Foundation Scholarship Trust           | <u>31,000</u>      | <u>41,000</u>       |
|   | <u>573,400</u>     | <u>661,074</u>      |
| Excess of expenditures over revenues                                | <u>\$ (15,133)</u> | <u>\$ (208,687)</u> |

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See accompanying notes to the financial statements.

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**New Brunswick Law Foundation**  
**Statement of Operations - Reserve Fund**

| Year Ended April 30,   | 2013              | 2012               |
|--|-------------------|--------------------|
|  |                   | (Unaudited)        |
| Investment revenues  |                   |                    |
| Interest   | \$ 22,493         | \$ 30,219          |
| Dividends  | 30,877            | 26,774             |
| Foreign exchange gain (loss)   | 3,758             | (6,313)            |
| Realized loss  | (3,994)           | (2,855)            |
| Unrealized gain (loss) on investments                                | <u>89,942</u>     | <u>(92,262)</u>    |
|  | <u>143,076</u>    | <u>(44,437)</u>    |
| Expenditures   |                   |                    |
| Investment fees  | <u>13,531</u>     | <u>13,064</u>      |
| Excess of revenues over expenditures<br>(expenditures over revenues) | <u>\$ 129,545</u> | <u>\$ (57,501)</u> |

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See accompanying notes to the financial statements.

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**New Brunswick Law Foundation**  
**Statement of Changes in Fund Balances**  
Year Ended April 30,

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|  | <u>General</u><br><u>Fund</u> | <u>Reserve</u><br><u>Fund</u> | <b><u>2013</u></b><br><b><u>Total</u></b> | 2012<br><u>Total</u><br>(Unaudited) |
|--|-------------------------------|-------------------------------|---|-------------------------------------|
| Balance, beginning of year   | \$ 4,247,226                  | \$ 1,557,155                  | <b>\$ 5,804,381</b>                       | \$ 6,070,569                        |
| Excess of revenues over expenditures<br>(expenditures over revenues) | <u>(15,133)</u>               | <u>129,545</u>                | <b><u>114,412</u></b>                     | <u>(266,188)</u>                    |
| Balance, end of year   | <b><u>\$ 4,232,093</u></b>    | <b><u>\$ 1,686,700</u></b>    | <b><u>\$ 5,918,793</u></b>                | <b><u>\$ 5,804,381</u></b>          |

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See accompanying notes to the financial statements.

## New Brunswick Law Foundation Balance Sheet

|   | April 30,<br>2013   | April 30,<br>2012   | May 1,<br>2011      |
|---|---------------------|---------------------|---------------------|
|   |                     | (Unaudited)         | (Unaudited)         |
| <b>Assets</b>   |                     |                     |                     |
| General Fund  |                     |                     |                     |
| Cash and cash equivalents (Note 4)                    | \$ 3,699,822        | \$ 3,874,549        | \$ 4,136,757        |
| Accrued interest receivable (Note 5)                  | 72,592              | 70,219              | 149,043             |
| Accounts receivable – other                           | 52,896              | 120                 | 5,767               |
| Current portion of long-term note receivable (Note 6) | <u>11,938</u>       | <u>11,413</u>       | <u>5,242</u>        |
|   | <u>3,837,248</u>    | <u>3,956,301</u>    | <u>4,296,809</u>    |
| Equipment (Note 7)                                    | 2,490               | 3,510               | -                   |
| Long term note receivable (Note 6)                    | <u>469,320</u>      | <u>481,258</u>      | <u>494,758</u>      |
|   | <u>4,309,058</u>    | <u>4,441,069</u>    | <u>4,791,567</u>    |
| Reserve fund  |                     |                     |                     |
| Cash and cash equivalents                             | 49,838              | 201,691             | 45,785              |
| Investments   | <u>1,636,862</u>    | <u>1,355,464</u>    | <u>1,568,871</u>    |
|   | <u>1,686,700</u>    | <u>1,557,155</u>    | <u>1,614,656</u>    |
|   | <u>\$ 5,995,758</u> | <u>\$ 5,998,224</u> | <u>\$ 6,406,223</u> |
| <b>Liabilities</b>                                    |                     |                     |                     |
| General Fund  |                     |                     |                     |
| Current   |                     |                     |                     |
| Payables (Note 8)                                     | \$ 2,869            | \$ 2,560            | \$ 4,581            |
| Outstanding grants (Note 9)                           | <u>74,096</u>       | <u>191,283</u>      | <u>331,073</u>      |
|   | <u>76,965</u>       | <u>193,843</u>      | <u>335,654</u>      |
| <b>Equity</b>   |                     |                     |                     |
| Funds retained to support granting formula            | 1,686,700           | 1,557,155           | 1,614,656           |
| General Fund  | <u>4,232,093</u>    | <u>4,247,226</u>    | <u>4,455,913</u>    |
|   | <u>5,918,793</u>    | <u>5,804,381</u>    | <u>6,070,569</u>    |
|   | <u>\$ 5,995,758</u> | <u>\$ 5,998,224</u> | <u>\$ 6,406,223</u> |

ON BEHALF OF THE LAW FOUNDATION

\_\_\_\_\_ Chairman

\_\_\_\_\_ Treasurer

See accompanying notes to the financial statements.

## New Brunswick Law Foundation Statement of Cash Flows

| Year Ended April 30,   | 2013                | 2012                |
|--|---------------------|---------------------|
|  |                     | (Unaudited)         |
| Decrease in cash and cash equivalents                                |                     |                     |
| <b>Operating</b>   |                     |                     |
| Excess of revenues over expenditures<br>(expenditures over revenues) | \$ 114,412          | \$ (266,188)        |
| Depreciation   | 1,020               | 1,020               |
| Unrealized (gain) loss   | <u>(89,942)</u>     | <u>92,262</u>       |
|  | 25,490              | (172,906)           |
| Changes in   |                     |                     |
| Receivables  | (55,149)            | 84,471              |
| Payables   | 309                 | (2,021)             |
| Outstanding grants (Note 9)  | <u>(117,187)</u>    | <u>(139,790)</u>    |
|  | (146,537)           | (230,246)           |
| <b>Investing</b>   |                     |                     |
| (Increase) decrease in investments                                   | (191,456)           | 121,145             |
| Purchase of equipment  | -                   | (4,530)             |
| Promissory note from NB Law Society                                  | <u>11,413</u>       | <u>7,329</u>        |
|  | (180,043)           | 123,944             |
| Net decrease in cash and cash equivalents                            | (326,580)           | (106,302)           |
| Cash and cash equivalents, beginning of year                         | <u>4,076,240</u>    | <u>4,182,542</u>    |
| Cash and cash equivalents, end of year                               | <u>\$ 3,749,660</u> | <u>\$ 4,076,240</u> |

See accompanying notes to the financial statements.



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# **New Brunswick Law Foundation**

## **Notes to the Financial Statements**

**April 30, 2013**

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### **1. Nature of operations**

The New Brunswick Law Foundation has been established as a non-profit corporation to receive interest earned on lawyer's trust accounts for the purpose of supporting legal aid, legal research, legal education, legal reform, and law libraries in New Brunswick. It is exempt from federal and provincial corporate taxes under paragraph 149(1)(l) of the Income Tax Act of Canada.

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### **2. Summary of significant accounting policies**

#### **Basis of presentation**

The Law Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Revenue and expenditures**

Revenue and expenditures are recorded using the accrual basis of accounting. Administration and general expenses are not allocated to projects and activities.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and cash balances in investment accounts.

#### **Fund accounting**

The Law Foundation follows the fund basis of accounting which provides for a separate self balancing group of accounts to enable separate accountability for assets that are to be used for certain designated purposes. The funds established by the Law Foundation are as follows:

- General Fund – reports revenues, expenditures and fund balances related to general activities. The use of these funds is at the discretion of the Board of Directors of the Law Foundation who approves the grants and contributions to be disbursed on an annual basis.
- Reserve Fund – reports revenues, expenditures and fund balances related to establishing a reserve to support the granting formula in case of revenue shortfalls in future years. The use of these funds is at the discretion of the Board of Directors.

#### **Use of estimates**

Under Canadian accounting standards for not-for-profit organizations management is required to make estimates and assumptions to prepare financial statements. These estimates are based on management's best knowledge of current events and actions that the Law Foundation may undertake in the future. These estimates and assumptions may affect the amount of assets and liabilities presented as at the reporting date and the reported amount of revenue and expenditures during the fiscal period. Actual results may be different from the estimates and assumptions used.

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# New Brunswick Law Foundation

## Notes to the Financial Statements

April 30, 2013

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### 2. Summary of significant accounting policies (continued)

#### Investments

Investments are reported at fair value using quoted market prices with changes in fair value recognized as unrealized gains or losses in net income. Transaction costs related to the purchase of investments are charged immediately to net income.

#### Capital assets and depreciation

Additions to capital assets are recorded at cost. Depreciation is recorded annually at rates calculated to write-off the assets over their estimated useful lives as follows:

|                         |                   |
|-------------------------|-------------------|
| Furniture and equipment | 20% straight line |
| Computer equipment      | 30% straight line |

#### Financial instruments

The Law Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Law Foundation accounts for the following as financial instruments:

- Cash and cash equivalents
- Accounts receivable
- Long term note receivable
- Investments
- Payables and accruals
- Outstanding grants

A financial asset or liability is recognized when the Law Foundation becomes party to contractual provisions of the instrument.

#### Measurement

The Law Foundation initially measures its financial assets and financial liabilities at fair value.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Law Foundation is in the capacity of management in which case they are accounted for in accordance with accounting policies for financial instruments.

The Law Foundation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments which are measured at fair market value according to their active quoted market price.

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# New Brunswick Law Foundation

## Notes to the Financial Statements

April 30, 2013

### 3. Impact of the change in basis of accounting

These financial statements are the first financial statements for which the Law Foundation has applied the Canadian accounting standards for not-for-profit organizations (ASNPO). The financial statements for the year ended April 30, 2013 were prepared in accordance with ASNPO. Comparative period information presented for the year ended April 30, 2012 and the opening balance sheet as at May 1, 2011 were prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption by not-for-profit organizations.

The date of transition to ASNPO is May 1, 2011. The Law Foundation's transition from Canadian generally accepted accounting principles ("previous GAAP") to ASNPO has had no significant impact on the opening net assets as at May 1, 2011 or the statement of operations or the statement of cash flows for the year ended April 30, 2012.

As a result, although the statement of financial position as at May 1, 2011 has been provided, the reconciliations and disclosures required by Section 1501 for the net assets at the transition date, the comparative period excess of expenditures over revenue and the cash flow statement are not necessary and have not been presented in these financial statement notes.

| 4. Cash and cash equivalents - General Fund | <u>2013</u>         | <u>2012</u><br>(Unaudited) | <u>2011</u><br>(Unaudited) |
|---|---------------------|----------------------------|----------------------------|
| Petty cash                                  | \$ 100              | \$ 100                     | \$ 100                     |
| General account                             | 1,536,846           | 1,728,419                  | 1,056,218                  |
| GIC   | <u>2,162,876</u>    | <u>2,146,030</u>           | <u>3,080,439</u>           |
|   | <u>\$ 3,699,822</u> | <u>\$ 3,874,549</u>        | <u>\$ 4,136,757</u>        |

| 5. Accrued interest receivable | <u>2013</u>      | <u>2012</u><br>(Unaudited) | <u>2011</u><br>(Unaudited) |
|--------------------------------|------------------|----------------------------|----------------------------|
| Trust accounts                 | \$ 51,135        | \$ 59,383                  | \$ 54,206                  |
| General bank account           | 836              | 1,639                      | 1,592                      |
| GIC                            | <u>20,621</u>    | <u>9,197</u>               | <u>93,245</u>              |
|                                | <u>\$ 72,592</u> | <u>\$ 70,219</u>           | <u>\$ 149,043</u>          |

| 6. Long term note receivable | <u>2013</u> | <u>2012</u><br>(Unaudited) | <u>2011</u><br>(Unaudited) |
|------------------------------|-------------|----------------------------|----------------------------|
|------------------------------|-------------|----------------------------|----------------------------|

4.5% promissory note from the Law Society of New Brunswick, repayable at \$2,779 per month including interest beginning September 1, 2012. The term is for five years with an amortization period of twenty-five years.

|                       |                   |                   |                   |
|-----------------------|-------------------|-------------------|-------------------|
|                       | <u>\$ 481,258</u> | <u>\$ 492,671</u> | <u>\$ 500,000</u> |
| Less: current portion | <u>11,938</u>     | <u>11,413</u>     | <u>5,242</u>      |
|                       | <u>\$ 469,320</u> | <u>\$ 481,258</u> | <u>\$ 494,758</u> |

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## New Brunswick Law Foundation Notes to the Financial Statements

April 30, 2013

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### 7. Equipment

|                         | <u>Cost</u>     | <u>Accumulated<br/>Depreciation</u> | <u>2013<br/>Net Book<br/>Value</u> | <u>2012<br/>Net Book<br/>Value</u><br>(Unaudited) | <u>2011<br/>Net Book<br/>Value</u><br>(Unaudited) |
|-------------------------|-----------------|-------------------------------------|------------------------------------|---|---|
| Furniture and equipment | \$ 3,389        | \$ 1,356                            | \$ 2,033                           | \$ 2,711  | \$ -  |
| Computer equipment      | <u>1,141</u>    | <u>684</u>                          | <u>457</u>                         | <u>799</u>  | <u>-</u>  |
|                         | <u>\$ 4,530</u> | <u>\$ 2,040</u>                     | <u>\$ 2,490</u>                    | <u>\$ 3,510</u>                                   | <u>\$ -</u>                                       |

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### 8. Payables

Included in payables are government remittances due of \$1,557 (April 30, 2012 - \$1,513 ; May 1, 2011 - \$2,282) which is for payroll.

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# New Brunswick Law Foundation

## Notes to the Financial Statements

April 30, 2013

### 9. Outstanding grants

The following list sets forth the unexpended portion of 2012/2013 grants and the total grants lapsed, approved, or paid during the current year. The grants lapsed column contains any unexpended portion of each grant that will not be paid or renewed in the subsequent year. The "Outstanding Grants" column shows the unexpended portion of each such grant as at April 30, 2013 for which payment is anticipated in the ensuing year(s).

|   | Outstanding       |                   | Outstanding       |                  |                  |
|---|-------------------|-------------------|-------------------|------------------|------------------|
|   | Grants            | Grants            | Grants            | Grants           | Grants           |
|   | April 30,         | Approved          | Paid              | Lapsed           | April 30,        |
|   | <u>2012</u>       | <u>2012/2013</u>  | <u>2012/2013</u>  | <u>2012/2013</u> | <u>2013</u>      |
| Law Society of New Brunswick                      |                   |                   |                   |                  |                  |
| - Law Libraries                                   | \$ -              | \$ 180,000        | \$ 180,000        | \$ -             | \$ -             |
| - NB Courts Historical Collections Project        | 33,000            | -                 | 30,763            | 2,237            | -                |
| - Bar Admission Course                            | 50,000            | -                 | 50,000            | -                | -                |
| - Translation of Discipline Decisions             | 9,000             | -                 | 9,000             | -                | -                |
| - Translation / Model Code of Conduct             | 14,000            | -                 | 14,000            | -                | -                |
| - Translation / Bar exams                         | -                 | 4,000             | 4,000             | -                | -                |
| Public Legal Education and Information Service    | -                 | 70,000            | 70,000            | -                | -                |
| University of New Brunswick                       |                   |                   |                   |                  |                  |
| - Pro Bono placement program                      | 8,725             | 8,424             | -                 | -                | 17,149           |
| - Pro Bono - FLLIP                                | 4,960             | 5,065             | -                 | -                | 10,025           |
| - Charlottetown Accord Conference                 | -                 | 20,000            | 15,000            | -                | 5,000            |
| Université de Moncton                             |                   |                   |                   |                  |                  |
| - Pro Bono placement program                      | 6,930             | 6,901             | 6,646             | 284              | 6,901            |
| - Projet Micheline Gleixner                       | 20,988            | -                 | 20,944            | 44               | -                |
| - Société d'aide juridique étudiante              | -                 | 15,965            | 15,965            | -                | -                |
| Fredericton Legal Advice Clinic                   | 6,000             | -                 | 6,000             | -                | -                |
| AJEFNB  |                   |                   |                   |                  |                  |
| -Guide: Droits des parents francophones           | 30,680            | -                 | -                 | -                | 30,680           |
| CBA - NB Branch                                   |                   |                   |                   |                  |                  |
| -Translation of Index to Private Acts             | -                 | 4,341             | -                 | -                | 4,341            |
| NBLASC  |                   |                   |                   |                  |                  |
| -Operation budget                                 | -                 | 175,000           | 175,000           | -                | -                |
| -Review and Modernization of the NB Legal Aid Act | <u>7,000</u>      | <u>-</u>          | <u>7,000</u>      | <u>-</u>         | <u>-</u>         |
|   | <u>\$ 191,283</u> | <u>\$ 489,696</u> | <u>\$ 604,318</u> | <u>\$ 2,565</u>  | <u>\$ 74,096</u> |

## New Brunswick Law Foundation Notes to the Financial Statements

April 30, 2013

| 10. Change in outstanding grants                      | <u>2013</u>         | <u>2012</u>         | <u>2011</u>       |
|---|---------------------|---------------------|-------------------|
|   |                     | (Unaudited)         | (Unaudited)       |
| Balance, beginning of year                            | \$ 191,283          | \$ 331,073          | \$ 79,910         |
| Refund of unused grants paid in previous fiscal years | <u>44,731</u>       | <u>-</u>            | <u>-</u>          |
|   | 236,014             | 331,073             | 79,910            |
| Balance, end of year                                  | <u>74,096</u>       | <u>191,283</u>      | <u>331,073</u>    |
| (Decrease) increase in outstanding grants             | <u>\$ (161,918)</u> | <u>\$ (139,790)</u> | <u>\$ 251,163</u> |

### 11. Other matters

#### Endowment Trusts

In 1992, the law faculties at UNB and U de M were each awarded an initial contribution of \$300,000 to establish and administer an endowment fund. To date, the Law Foundation has contributed an additional \$700,000, bringing their current total to \$1,000,000 each.

### 12. The New Brunswick Law Foundation Scholarship Trust

The board of directors of New Brunswick Law Foundation also serve as the trustees of The New Brunswick Law Foundation Scholarship Trust. The Scholarship Trust was established by way of total capital contributions in the amount of \$1,250,000 in prior years from the Law Foundation and \$400,000 in 2009.

The New Brunswick Law Foundation Scholarship Trust was created by the New Brunswick Law Foundation under a trust indenture with the Trustees being all the Directors of The New Brunswick Law Foundation. The purpose of the Scholarship Trust is to provide the payment of scholarships and/or bursaries for the purpose of studying law at the University of New Brunswick or the Université de Moncton or in any graduate or post-graduate program in law. The Trust is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The assets, liabilities and results of operations of the Scholarship Trust have not been consolidated in the financial statements of the Law Foundation. Financial summaries of this unconsolidated entity as of April 30, 2013 and 2012 and for the years then ended are as follows:

#### The New Brunswick Law Foundation Scholarship Trust

|                                  | <u>2013</u>         | <u>2012</u>         | <u>2011</u>         |
|----------------------------------|---------------------|---------------------|---------------------|
|                                  |                     | (Unaudited)         | (Unaudited)         |
| <b>Financial position</b>        |                     |                     |                     |
| Total assets                     | <u>\$ 3,318,551</u> | <u>\$ 3,155,932</u> | <u>\$ 3,435,751</u> |
| Fund balances - Scholarship Fund | \$ -                | \$ -                | -                   |
| - Capital Fund                   | <u>3,318,551</u>    | <u>3,155,932</u>    | <u>3,435,751</u>    |
|                                  | <u>\$ 3,318,551</u> | <u>\$ 3,155,932</u> | <u>\$ 3,435,751</u> |

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## New Brunswick Law Foundation Notes to the Financial Statements

April 30, 2013

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### 12. The New Brunswick Law Foundation Scholarship Trust (continued)

|  | <u>2013</u>       | <u>2012</u><br>(Unaudited) |
|--|-------------------|----------------------------|
| <b>Results of operations</b>   |                   |                            |
| Total revenue - Scholarship Fund                                     | \$ 245,847        | \$ 160,815                 |
| - Capital Fund   | <u>137,325</u>    | <u>(192,467)</u>           |
|  | <u>383,172</u>    | <u>(31,652)</u>            |
| Total expenditures - Scholarship Fund                                | 220,553           | 248,167                    |
| - Capital Fund   | <u>-</u>          | <u>-</u>                   |
| Excess of revenues over expenditures<br>(expenditures over revenues) | <u>\$ 162,619</u> | <u>\$ (279,819)</u>        |
| <b>Cash flows</b>  |                   |                            |
| Increase (decrease) in cash and cash equivalents                     |                   |                            |
| Operating  | \$ 12,276         | \$ (87,584)                |
| Investing  | <u>19,780</u>     | <u>17,409</u>              |
| Net increase (decrease) in cash<br>and cash equivalents              | <u>\$ 32,056</u>  | <u>\$ (70,175)</u>         |

Transactions with the Scholarship Trust during the year consist of a subsidy to cover audit, custodial, and investment management fees totalling \$41,000 (2012 - \$28,500) and a contribution to cover scholarship payments totalling \$100,000 (2012 - \$0). The transactions are recorded at the exchange amount.

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### 13. Unclaimed trust funds

Unclaimed trust funds are held by the Law Society of New Brunswick for 10 years. Any funds which have not been claimed at the end of this period are transferred to the Law Foundation. During the current fiscal year \$11,308 became receivable by the Law Foundation.

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### 14. Financial instruments

The Law Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Law Foundation's risk exposures and concentrations at April 30, 2013.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Law Foundation's main credit risks relate to its accounts receivable, long term note receivable and bond portfolio of investments. There was no significant change in exposure from the prior year.

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**New Brunswick Law Foundation**  
**Notes to the Financial Statements**  
April 30, 2013

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**14. Financial instruments (continued)**

Details of bond maturities and interest ranges for investments held as at April 30, 2013 are as follows:

|                        | Reserve Fund           |                          |
|------------------------|------------------------|--------------------------|
|                        | Market<br><u>Value</u> | Interest<br><u>Range</u> |
| Less than one year     | \$20,037               | Floating rate            |
| One year to five years | \$98,354               | 2.20 – 7.10%             |
| More than five years   | \$313,673              | 2.90 – 6.63%             |

***Liquidity risk***

Liquidity risk is the risk that the Law Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities. The Law Foundation is exposed to this risk mainly in respect of its accounts payable and outstanding grants. There was no significant change in exposure from the prior year.

***Market risk***

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Law Foundation is mainly exposed to currency risk and interest rate risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 31% of the Law Foundation's investments are in a foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at April 30, 2013, cash and cash equivalents and investments of \$39,405 and \$508,901 respectively are denominated in US dollars and converted into Canadian dollars. There was no significant change in exposure from the prior year.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Law Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Given the current composition of investments, fixed-rate instruments subject the Law Foundation to a fair value risk while the floating-rate instruments subject it to a cash flow risk. There was no significant change in exposure from the prior year.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial



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## **New Brunswick Law Foundation Notes to the Financial Statements**

April 30, 2013

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### **14. Financial instruments (continued)**

instruments traded in the market. The Law Foundation is exposed to other price risk through its investments quoted in an active market.

It is management's opinion that the Law Foundation is not subject to significant amounts of concentration risk as the risk is managed by diversifying its portfolio among assets classes, industry sectors, individual securities and geographical locations.

There was no significant change in exposure from the prior year.

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### **15. Capital management**

Management considers capital to be the fund balances.

The Law Foundation has established policies for the management of its investments. All of the Law Foundation's investments are managed by independent, external investment managers. The compliance of these managers with the investment policies is monitored on a regular basis.

The Law Foundation's objective when managing capital is to maintain financial strength to sustain long term delivery of its core activities.

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## New Brunswick Law Foundation Grants Paid

| Year Ended April 30,                                 | 2013              | 2012              |
|--|-------------------|-------------------|
| Law Society of New Brunswick                         |                   |                   |
| - Law Libraries                                      | \$ 180,000        | \$ 180,000        |
| - NB Courts Historical Collections Project           | 30,763            | -                 |
| - Bar Admission Course                               | 50,000            | 150,000           |
| - Translation of Discipline Decisions                | 9,000             | -                 |
| - Video Conference Equipment                         | -                 | 80,000            |
| - Translation / Bar exams                            | 4,000             | -                 |
| - Translation / Model Code of Conduct                | 14,000            | -                 |
| Fredericton Legal Advice Clinic                      | 6,000             | 18,600            |
| LEAF/FAEJ  | -                 | 3,500             |
| Public Legal Education and Information Service       | 70,000            | 70,000            |
| Université de Moncton                                |                   |                   |
| - Projet Micheline Gleixner                          | 20,944            | -                 |
| - Programme Pro Bono                                 | 6,646             | -                 |
| - Société d'aide juridique étudiante                 | 15,965            | -                 |
| - Colloque Michel Bastarache                         | -                 | 15,000            |
| - Programme Pro Bono                                 | -                 | 5,527             |
| - Traduction – Denis Roy                             | -                 | 4,157             |
| University of New Brunswick                          |                   |                   |
| - Charlottetown Accord Conference                    | 15,000            | -                 |
| - Pro Bono Placement Program                         | -                 | 4,899             |
| - Family Law Legal Information Project               | -                 | 928               |
| - La Forest Rare Books Reading Room                  | -                 | 46,253            |
| NBLASC   |                   |                   |
| -Operation budget                                    | 175,000           | 175,000           |
| -Review and modernization of the<br>NB Legal Aid Act | 7,000             | -                 |
| -Mandatory Professional Training Program             | -                 | 6,000             |
|  | <u>\$ 604,318</u> | <u>\$ 759,864</u> |