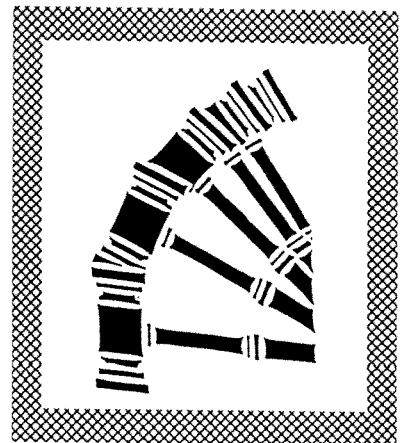


NEW BRUNSWICK LAW FOUNDATION

2013 - 2014

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, 2014.

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 gradually 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 prime rate has remained at 3% since September 9, 2010. There has been no increase in interest revenue for 2013-14.

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, 2014 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, 2014, the members of the Board of Directors were:

C. Paul W. Smith, Chairperson
Robert Penney, Treasurer
Christa Bourque
Léonard Larocque
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	2013-14	2012-13
Interest / Lawyers' mixed trust accounts	\$558,087	\$557,869
Interest / Bank Account	61,528	64,886
Interest / Investment	254,710	129,545
Interest / long-term note receivable	21,412	21,937
Unclaimed trust funds	<u>6,868</u>	<u>16,166</u>
Total	\$902,605	\$790,403

2. GRANTS

Grants approved	\$590,463	\$489,696
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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 \$1,686,700. The excess of revenues over expenditures during the year was \$254,710. The balance of the reserve fund at the end of the year was \$1,941,410.

GRANTS

During the year, a total of \$590,463 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 2013-14 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 (\$119,421) and bursaries (\$76,579) were awarded to law students at the University of New Brunswick and the Université de Moncton. Two graduate scholarships totaling \$10,000 were granted to a student undertaking graduate studies in law.

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.

GRANTS APPROVED 2013-14

1. LAW SOCIETY OF NEW BRUNSWICK

Law Libraries

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

Bar Admission Course Update

\$30,000

Translation / Bar Exams

\$12,000

Translation / Discipline Committee Decisions

\$25,000

CANLII Project

To provide funding for the addition of historical collections of NB courts to CANLII \$18,000

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. \$8,448

	Pro Bono Family Law Legal Information Project (FLLIP)	
	To assist in the provision of legal information to clients involved in family law disputes.	\$5,635
5.	UNIVERSITÉ DE MONCTON / FACULTÉ DE DROIT	
	Programme Pro Bono	
	To assist in the provision of Pro Bono legal aid services to deserving not-for-profit organizations.	\$6,930
	Programme Pro Bono / Droit de la famille	
	To assist in the provision of legal information to clients involved In family law disputes.	\$3,630
	Société d'aide juridique étudiante (SAJE)	
	To assist in the provision of legal information to clients involved In matters related to criminal law.	\$15,965
	Projet Micheline Gleixner	
	To provide financial assistance for the project entitled "Les femmes au sein de la profession juridique du N.-B."	\$39,855
	TOTAL	\$590,463



Financial statements

New Brunswick Law Foundation

April 30, 2014

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Independent auditors' report

To the Directors of
New Brunswick Law Foundation

We have audited the accompanying financial statements of the **New Brunswick Law Foundation**, which comprise the balance sheet as at April 30, 2014, and the statements of operations and 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.

Auditors' 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 judgement, 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the New Brunswick Law Foundation as at April 30, 2014 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with *Canadian Accounting Standards for Not-for-Profit Organizations*.

Grant Thornton LLP

Fredericton, New Brunswick
June 27, 2014

Grant Thornton LLP
Chartered Accountants

New Brunswick Law Foundation
Statement of operations - general fund

Year ended April 30	2014	2013
Revenue		
Interest - trust accounts	\$ 558,087	\$ 557,869
- bank accounts	61,528	64,886
- long-term note receivable (note 5)	21,412	21,937
Unclaimed trust funds (note 13)	<u>6,868</u>	<u>16,166</u>
	<u>647,895</u>	<u>660,858</u>
Expenditures		
Depreciation	1,020	1,020
Office	5,977	7,400
Professional fees	10,481	10,566
Rent	16,256	15,814
Salaries and benefits	61,007	57,608
Travel and meetings	<u>10,092</u>	<u>10,183</u>
	<u>104,833</u>	<u>102,591</u>
Excess of revenue over expenditures before grants and contributions	<u>543,062</u>	<u>558,267</u>
Grants and contributions		
Grants paid (page 16)	459,627	604,318
Increase (decrease) in outstanding grants (note 9)	122,047	(161,918)
Contribution to New Brunswick Law Foundation Scholarship Trust	-	100,000
Subsidy to New Brunswick Law Foundation Scholarship Trust	<u>31,500</u>	<u>31,000</u>
	<u>613,174</u>	<u>573,400</u>
Excess of expenditures over revenues	<u>\$ (70,112)</u>	<u>\$ (15,133)</u>

See accompanying notes to the financial statements.

New Brunswick Law Foundation
Statement of operations - reserve fund

Year ended April 30

2014

2013

Investment revenues		
Interest	\$ 21,721	\$ 22,493
Dividends	32,546	30,877
Foreign exchange gain	73,302	3,758
Realized gain (loss)	83,379	(3,994)
Unrealized gain on investments	<u>59,020</u>	<u>89,942</u>
	<u>269,968</u>	<u>143,076</u>
Expenditures		
Investment fees	<u>15,258</u>	<u>13,531</u>
Excess of revenues over expenditures	<u>\$ 254,710</u>	<u>\$ 129,545</u>

See accompanying notes to the financial statements.

New Brunswick Law Foundation
Statement of changes in fund balances
Year ended April 30

	<u>General</u> <u>fund</u>	<u>Reserve</u> <u>fund</u>	<u>2014</u> <u>Total</u>	2013 <u>Total</u>
Balance, beginning of year	\$ 4,232,093	\$ 1,686,700	\$ 5,918,793	\$ 5,804,381
Excess of revenues over expenditures (expenditures over revenues)	<u>(70,112)</u>	<u>254,710</u>	<u>184,598</u>	<u>114,412</u>
Balance, end of year	<u>\$ 4,161,981</u>	<u>\$ 1,941,410</u>	<u>\$ 6,103,391</u>	<u>\$ 5,918,793</u>

See accompanying notes to the financial statements.

New Brunswick Law Foundation
Balance sheet

April 30	2014	2013
Assets		
General fund		
Cash and cash equivalents (note 3)	\$ 3,773,096	\$ 3,699,822
Accrued interest receivable (note 4)	117,178	72,592
Accounts receivable – other	221	52,896
Current portion of long-term note receivable (note 5)	<u>12,486</u>	<u>11,938</u>
	<u>3,902,981</u>	<u>3,837,248</u>
Equipment (note 6)	1,470	2,490
Long-term note receivable (note 5)	<u>456,834</u>	<u>469,320</u>
	<u>4,361,285</u>	<u>4,309,058</u>
Reserve fund		
Cash and cash equivalents	36,671	49,838
Investments (note 7)	<u>1,904,739</u>	<u>1,636,862</u>
	<u>1,941,410</u>	<u>1,686,700</u>
	<u>\$ 6,302,695</u>	<u>\$ 5,995,758</u>

Liabilities

General Fund

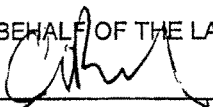
Current

Payables (note 8)	\$ 3,161	\$ 2,869
Outstanding grants (note 10)	<u>196,143</u>	<u>74,096</u>
	<u>199,304</u>	<u>76,965</u>

Equity

Funds retained to support granting formula	1,941,410	1,686,700
General Fund	<u>4,161,981</u>	<u>4,232,093</u>
	<u>6,103,391</u>	<u>5,918,793</u>
	<u>\$ 6,302,695</u>	<u>\$ 5,995,758</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

2014

2013

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenues over expenditures	\$ 184,598	\$ 114,412
Depreciation	1,020	1,020
Unrealized gain	<u>(59,020)</u>	<u>(89,942)</u>
	126,598	25,490
Changes in		
Receivables	8,089	(55,149)
Payables	292	309
Outstanding grants (note 10)	<u>122,047</u>	<u>(117,187)</u>
	<u>257,026</u>	<u>(146,537)</u>
Investing		
Increase in investments	(208,857)	(191,456)
Promissory note from NB Law Society	<u>11,938</u>	<u>11,413</u>
	<u>(196,919)</u>	<u>(180,043)</u>
Net increase (decrease) in cash and cash equivalents	60,107	(326,580)
Cash and cash equivalents, beginning of year	<u>3,749,660</u>	<u>4,076,240</u>
Cash and cash equivalents, end of year	<u>\$ 3,809,767</u>	<u>\$ 3,749,660</u>

See accompanying notes to the financial statements.

New Brunswick Law Foundation

Notes to the financial statements

April 30, 2014

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.

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. Significant items subject to such estimates include the fair value of investments. Actual results may be different from the estimates and assumptions used.

New Brunswick Law Foundation

Notes to the financial statements

April 30, 2014

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 excess of revenue over expenditures.

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
- 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.

New Brunswick Law Foundation
Notes to the financial statements
April 30, 2014

3. Cash and cash equivalents - general fund	<u>2014</u>	<u>2013</u>
Petty cash	\$ 100	\$ 100
General account	1,610,120	1,536,846
GIC	<u>2,162,876</u>	<u>2,162,876</u>
	<u>\$ 3,773,096</u>	<u>\$ 3,699,822</u>

4. Accrued interest receivable	<u>2014</u>	<u>2013</u>
Trust accounts	\$ 51,789	\$ 51,135
General bank account	1,511	836
GIC	<u>63,878</u>	<u>20,621</u>
	<u>\$ 117,178</u>	<u>\$ 72,592</u>

5. Long term note receivable	<u>2014</u>	<u>2013</u>
4.5% promissory note from the Law Society of New Brunswick, repayable at \$2,779 per month including interest beginning September 1, 2011. The term is for five years with an amortization period of twenty-five years.	\$469,320	\$ 481,258
Less: current portion	<u>12,486</u>	<u>11,938</u>
	<u>\$456,834</u>	<u>\$ 469,320</u>

6. Equipment			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Furniture and equipment	\$ 3,389	\$ 2,033	\$ 1,356	\$ 2,033
Computer equipment	<u>1,141</u>	<u>1,027</u>	<u>114</u>	<u>457</u>
	<u>\$ 4,530</u>	<u>\$ 3,060</u>	<u>\$ 1,470</u>	<u>\$ 2,490</u>

New Brunswick Law Foundation Notes to the financial statements

April 30, 2014

7. Investments

Investments are held in safekeeping and invested by National Bank Financial Inc. on behalf of the Reserve fund as follows:

	2014	2013
	Market	Market
	Value	Value
Accrued income	\$ 6,504	\$ 7,769
Fixed income	524,207	520,823
Equities		
Canadian	525,293	523,619
Foreign	848,735	584,651
	<u>\$ 1,904,739</u>	<u>\$ 1,636,862</u>

8. Payables

Included in payables are government remittances due of \$1,818 (2013 - \$1,557).

9. Change in outstanding grants	2014	2013
Balance, beginning of year	\$ 74,096	\$ 191,283
Refund of unused grants paid in previous fiscal years	<u>-</u>	<u>44,731</u>
	74,096	236,014
Balance, end of year	<u>196,143</u>	<u>74,096</u>
Increase (decrease) in outstanding grants	<u>\$ 122,047</u>	<u>\$ (161,918)</u>

New Brunswick Law Foundation

Notes to the financial statements

April 30, 2014

10. Outstanding grants

The following list sets forth the unexpended portion of 2013/2014 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, 2014 for which payment is anticipated in the ensuing year(s).

	Outstanding grants April 30, 2013	Grants approved 2013/2014	Grants paid 2013/2014	Grants lapsed 2013/2014	Outstanding grants April 30, 2014
Law Society of New Brunswick					
- Law Libraries	\$ -	\$ 180,000	\$ 180,000	\$ -	\$ -
- NB Courts Historical Collections Project	-	18,000	-	-	18,000
- Bar Admission Course	-	30,000	-	-	30,000
- Translation of Discipline Decisions	-	25,000	-	-	25,000
- Translation / Bar exams	-	12,000	-	-	12,000
Public Legal Education and Information Service	-	70,000	70,000	-	-
University of New Brunswick					
- Pro Bono placement program	17,149	8,448	16,635	514	8,448
- Pro Bono - FLLIP	10,025	5,635	6,212	3,813	5,635
- Charlottetown Accord Conference	5,000	-	3,007	1,993	-
Université de Moncton					
- Pro Bono Programme de placement	6,901	6,930	6,746	155	6,930
- Pro Bono Droit de la famille	-	3,630	-	-	3,630
- Projet Micheline Gleixner	-	39,855	-	-	39,855
- Société d'aide juridique étudiante	-	15,965	-	-	15,965
AJEFNB					
-Guide: Droits des parents francophones	30,680	-	-	-	30,680
CBA - NB Branch					
-Translation of Index to Private Acts	4,341	-	2,027	2,314	-
NBLASC					
-Operation budget	-	175,000	175,000	-	-
	<u>\$ 74,096</u>	<u>\$ 590,463</u>	<u>\$ 459,627</u>	<u>\$ 8,789</u>	<u>\$ 196,143</u>

11. Other matters

Endowment Trusts

In 1992, the law faculties at University of New Brunswick and Université de Moncton 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.

New Brunswick Law Foundation

Notes to the financial statements

April 30, 2014

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 \$1,650,000 in prior years from the Law Foundation.

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, 2014 and 2013 and for the years then ended are as follows:

The New Brunswick Law Foundation Scholarship Trust

	<u>2014</u>	<u>2013</u>
Financial position		
Total assets	\$ <u>3,562,999</u>	\$ <u>3,318,551</u>
Total liabilities	\$ 4,000	\$ -
Fund balances - Scholarship Fund	-	-
- Capital Fund	<u>3,558,999</u>	<u>3,318,551</u>
	<u>\$ 3,562,999</u>	<u>\$ 3,318,551</u>
Results of operations		
Total revenue - Scholarship Fund	\$ 140,456	\$ 245,847
- Capital Fund	<u>266,528</u>	<u>137,325</u>
	406,984	383,172
Total expenditures - Scholarship Fund	166,536	220,553
- Capital Fund	-	-
Excess of revenues over expenditures	<u>\$ 240,448</u>	<u>\$ 162,619</u>
Cash flows		
Increase (decrease) in cash and cash equivalents		
Operating	\$ 148,324	\$ 12,276
Investing	<u>(213,441)</u>	<u>19,780</u>
Net (decrease) increase in cash and cash equivalents	<u>\$ (65,117)</u>	<u>\$ 32,056</u>

New Brunswick Law Foundation

Notes to the financial statements

April 30, 2014

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

Transactions with the Scholarship Trust during the year consist of a subsidy to cover audit, custodial, and investment management fees totalling \$31,500 (2013 - \$31,000) and a contribution to cover scholarship payments totalling \$Nil (2013 - \$100,000). The transactions are recorded at the exchange amount.

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 \$221 became receivable by the Law Foundation.

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, 2014.

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.

Details of bond maturities and interest ranges for investments held as at April 30, 2014 are as follows:

	Reserve Fund	
	Market	Interest
	<u>Value</u>	<u>Range</u>
Less than one year	\$ 36,783	3.35%
One year to five years	\$132,672	1.75 – 5.80%
More than five years	\$354,752	1.95 – 6.47%

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.

New Brunswick Law Foundation Notes to the financial statements

April 30, 2014

14. Financial instruments (continued)

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 25% of the Law Foundation's investments are in a foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at April 30, 2014, cash and cash equivalents and investments of \$18,362 and \$437,486 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 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.

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.

New Brunswick Law Foundation Grants paid

Year ended April 30,	2014	2013
Law Society of New Brunswick		
- Law Libraries	\$ 180,000	\$ 180,000
- NB Courts Historical Collections Project	-	30,763
- Bar Admission Course	-	50,000
- Translation of Discipline Decisions	-	9,000
- Translation / Bar exams	-	4,000
- Translation / Model Code of Conduct	-	14,000
Fredericton Legal Advice Clinic	-	6,000
Public Legal Education and Information Service	70,000	70,000
Université de Moncton		
- Projet Micheline Gleixner	-	20,944
- Programme Pro Bono	6,746	6,646
- Société d'aide juridique étudiante	-	15,965
University of New Brunswick		
- Charlottetown Accord Conference	3,007	15,000
- Pro Bono Placement Program	16,635	-
- Pro Bono - FLLIP	6,212	-
CBA – NB Branch		
- Translation of Index to Private Acts	2,027	-
NBLASC		
-Operation budget	175,000	175,000
-Review and modernization of the NB Legal Aid Act	-	7,000
	<u>\$ 459,627</u>	<u>\$ 604,318</u>