

Alberta **LAW**
FOUNDATION

44TH ANNUAL REPORT 2017

Fiscal Year ended March 31st, 2017



VISION

Accessible Justice for all Albertans.

MISSION

Lead and support efforts to build a better justice community in Alberta.

MESSAGE FROM THE BOARD

Alberta is fortunate to have a dedicated source of funding for programs that advance the rule of law and access to justice for Albertans. By legislation, monies held in lawyers' pooled trust accounts must earn interest and that interest must be paid to the Alberta Law Foundation. It is the duty of the Foundation Board to provide responsible stewardship of these available resources to maximize the benefit to Albertans. This stewardship role has two components: the responsibility to ensure that the revenue stream is optimized, and the responsibility to ensure that the revenue is allocated to organizations for programs that are consistent with Foundation priorities and which will have the greatest impact at a reasonable cost.

On the revenue side, the Foundation works with individual financial institutions to obtain a competitive rate of interest payable on lawyers' pooled trust accounts. With interest rates at historic lows over the last several years, there has been less opportunity to affect the revenue side of the equation. Compounding this issue in the last two or three years is the economic slump experienced in Alberta after the dramatic fall in oil prices. Lower economic activity generally means fewer transactions and fewer funds flowing through lawyers' trust accounts, and therefore lower trust balances on which interest is paid. Innovations in the practice of law may also eventually affect the volume of funds held in pooled trust accounts.

National interest rates, general economic activity and the way lawyers practice law are beyond the control of the Foundation. However, we are making every effort to mitigate the uncertainty and volatility of our main revenue stream by implementing improved monitoring of compliance by banks and law firms, controlling our administrative costs, enlisting professional investment advisors to optimize our investment income, and utilizing reserves to enable the Foundation to provide sustainable funding to its grantees.

On the allocation side, the Foundation Board is conscious of the legal needs of Albertans, especially in hard economic times. There are many dedicated organizations that work to address these needs through a myriad of programs and initiatives. Our challenge is to identify the most pressing needs and the most promising solutions. We rely on our staff as well as our applicants and grantees to help us in these tasks. Grant applicants are expected to demonstrate, with cogent evidence, the particular need for the proposed program. Grantees are expected to demonstrate how a funded program is making an impact to address the issues identified, not just in terms of the number of individuals served or the number of reports or resources produced, but also in terms of the change that the program brings about in the state of the law, the legal literacy of Albertans or the resolution of individual legal problems.

To continue providing sustainable funding for programs and initiatives that produce a demonstrable benefit for Albertans, the Foundation Board has to ensure that the annual level of grants allocated is not out of proportion to the annual revenue earned, after the contribution to Legal Aid Alberta. For this reason, the Board has made a conscious effort over the last two years to reduce the annual level of grants, as annual revenues have declined. This has required us to make some difficult decisions that have involved reductions in funding to some programs and even the elimination of funding for other programs. At the same time, the Board has been open to new funding for projects and initiatives that build on existing successes, and will continue to look for promising programs that address the most pressing legal needs of Albertans.

ABOUT THE FOUNDATION

The Alberta Law Foundation was created under the Legal Profession Act in 1973. It is governed by an independent board of seven directors, three of whom are appointed by the Minister of Justice & Solicitor General, two by the Law Society of Alberta and two by the Board. The Foundation is the recipient of the interest which financial institutions pay on clients' funds held in Alberta lawyers' pooled trust accounts. This does not include interest

paid on specific trust investments held for individual clients. The interest on lawyers' pooled trust accounts ("IOLTA") together with investment and other income of the Foundation is allocated by the Board to organizations engaged in activities which will advance the objects of the Foundation.

STATUTORY OBJECTS

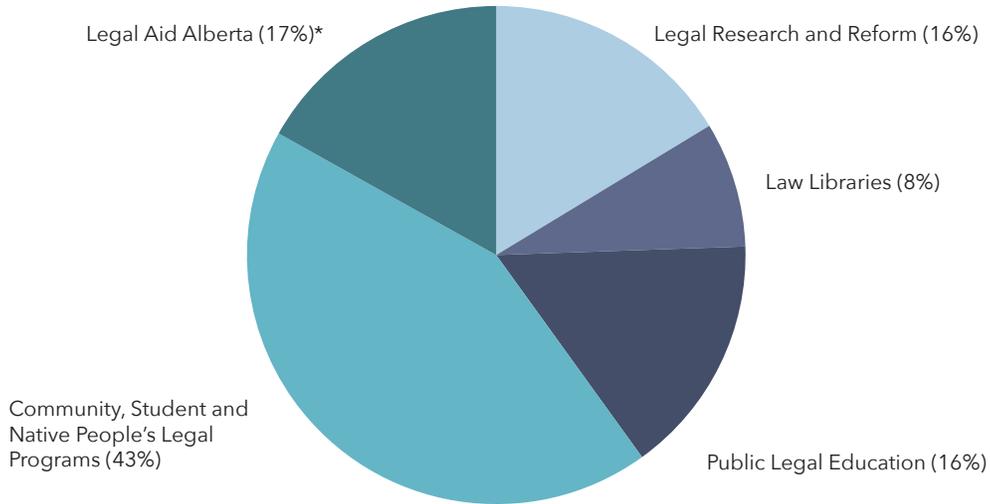
- i. Legal Research and Law Reform
- ii. Law Libraries
- iii. Public Legal Education
- iv. Native People's Legal Programs, Student Legal Aid Programs and programs of like nature
- v. Contributing to the costs of Legal Aid Alberta (legislated to be 25% of IOLTA received by the Foundation in the previous year)

ORGANIZATIONAL ENDS

- I. The law and the administration of justice reflect Albertans' current values.
- II. Albertans are aware of and understand the law and their legal rights and obligations.
- III. Albertans can effectively exercise their rights under the law.
- IV. The Foundation excels as an organization that identifies and addresses key justice sector issues and concerns.

2016-17 YEAR IN REVIEW

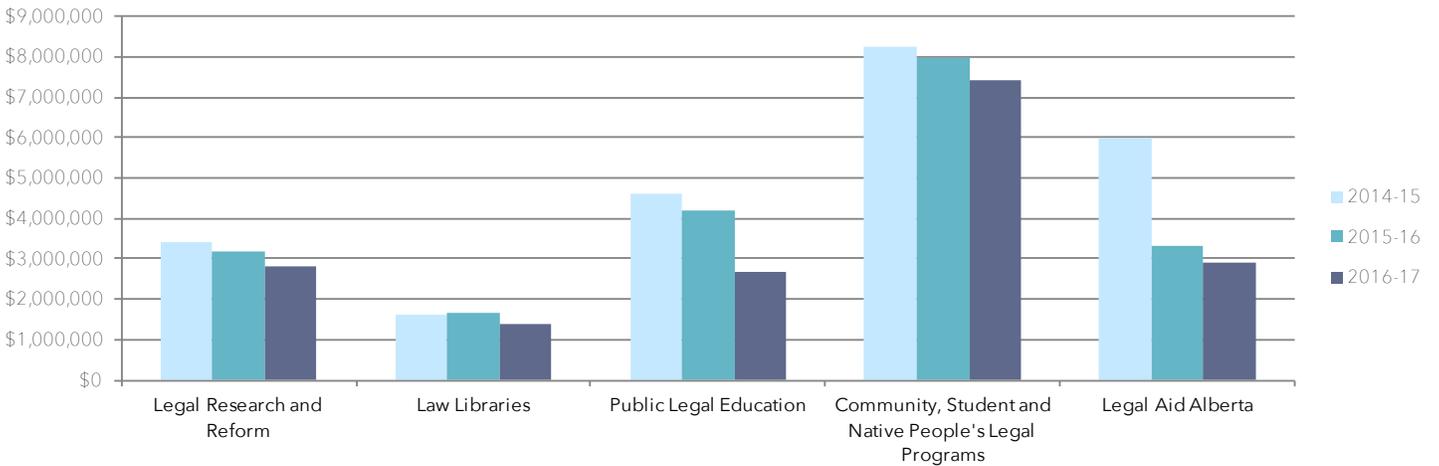
2016-17 Funding Allocations



*LAA contribution is 25% of IOLTA revenue but 17% of all allocations.

Grants	Legal Aid Contribution
66 applications reviewed	\$2,905,137 (25% of IOLTA revenue)
61 applications approved 43 operating grants awarded 18 project grants awarded	
\$14.3 million in grants allocated \$12.2 million in operating grants \$2.1 million in project grants	

2016-17 Funding Allocations (Compared to Past Years)



2016-17 GRANTEE SERVICE OUTPUTS

In 2016-2017 there were 293,340 Service Contacts at funded organizations in the following categories:

Legal Advice, Representation or other Direct Legal Services

109,982 clients

Albertans receive legal advice, representation or other direct legal support, provided by either volunteer lawyers, staff lawyers, law students or caseworkers.

Public Legal Education

98,214 clients at 3,501 sessions

Albertans attend public legal education presentations, covering a wide variety of topics, aimed at informing and educating Albertans about the law, and individual legal rights and responsibilities.

Legal information and referral

85,144 clients

Clinics and legal programs at non-profit agencies provide information to Albertans about the law, the justice system, legal processes and procedures, either in-person, by phone or email. Clients may also receive referrals to both legal and social supports in the community.

Other Programs, Services and Resources

Albertans also benefitted from other programs, services and resources funded by the Foundation including services provided by Legal Aid Alberta; legal research and law reform work produced by centres, institutes and agencies; legal information made available in print, electronic, video and audio formats and accessed through libraries, non-profit agencies or on-line.

GRANTS AWARDED 2016-17

Legal Research and Law Reform

<p>Alberta Civil Liberties Research Centre Legal research and education on civil liberties and human rights.....</p>	<p>Centre for Constitutional Studies Legal research, education and publication activities.....</p>
\$620,294	\$338,114
<p>Alberta Law Reform Institute Research into law and the administration of justice and proposing law reform</p>	<p>Environmental Law Centre Environmental Bill of Rights Project - engagement of Albertans regarding legal rights relating to environmental quality and an Environmental Bill of Rights.....</p>
\$840,000	\$133,125
<p>Canadian Bar Association, Alberta Legislative Review Officer - assists the Committee to review all bills prior to first reading and summarize bills passing through the Legislature</p>	<p>Environmental Law for High Schools Project - to increase environmental law literacy in high schools.....</p>
\$17,000	\$95,600
<p>Canadian Institute of Resources Law Legal research, education and publication activities.....</p>	<p>Climate Change Project - to increase awareness and knowledge of climate change mitigation and adaptation of laws and regulations.....</p>
\$203,139	\$105,900
<p>Canadian Research Institute for Law and the Family Legal research, education and publication activities.....</p>	
\$448,705	
<p>Communications Project.....</p>	
\$6,000	

Law Libraries

<p>Joint Library Committee Maintenance of Alberta Law Libraries collections.....</p>	\$1,000,000
<p>Transition grant.....</p>	\$400,000

Public Legal Education

Alberta Legal Information Society

Continuing development and maintenance of a provincial interactive website to serve as a central access point to legal information in Alberta that will assist Albertans in addressing their legal issues, using guided pathways.....\$445,000

Alberta Seventh Step Society

Education in the schools about the criminal justice system from the viewpoint of the ex-offender.....\$172,474

Alberta Workers' Health Centre

Work Plays Program – dramatic presentations to school audiences about Employment and Workplace Health and Safety law.....\$190,000

Calgary Chinese Community Service Association

Law & Advocacy project.....\$56,320

Calgary John Howard Society

Presentations to school students and community groups about the Youth Criminal Justice Act and the criminal justice system in Canada.....\$150,864

Canadian Bar Association, Alberta

Law Day 2017 - partial funding for public legal education events held across the province.....\$35,700

Chinook Learning Services, Calgary

Provision of public legal education workshops.....\$39,000

Edmonton John Howard Society

Presentations to school students and community groups about the Youth Criminal Justice Act and the criminal justice system in Canada.....\$124,291

Edmonton Public Schools, Metro Continuing Education

Provision of public legal education workshops.....\$32,282

Elk Island Public Schools, Next Step Continuing Education

Provision of public legal education workshops.....\$17,957

Grande Prairie Council for Lifelong Learning

Provision of public legal education workshops.....\$15,806

John Howard Society of Alberta

Provincial Criminal Justice Education print materials.....\$14,350

John Howard Society of Grande Prairie

Presentations to school students and community groups about the Youth Criminal Justice Act and the criminal justice system in Canada.....\$128,204

John Howard Society of Red Deer

Presentations to school students and community groups about the Youth Criminal Justice Act and the criminal justice system in Canada.....\$57,946

Legal Resource Centre of Alberta Ltd. (Centre for Public Legal Education Alberta)

Print and web-based public legal education and information resources; legal referrals and presentations to the public.....\$600,039

Lethbridge College

Provision of public legal education workshops.....\$34,017

Lethbridge John Howard Society

Presentations to school students and community groups about the Youth Criminal Justice Act and the criminal justice system in Canada.....\$90,659

Medicine Hat College

Provision of public legal education workshops.....\$35,400

Medicine Hat John Howard Society

Presentations to school students and community groups about the Youth Criminal Justice Act and the criminal justice system in Canada.....\$50,743

Portage College

Provision of public legal education workshops.....\$100,212

Red Deer Public Schools, Community Programs

Provision of public legal education workshops.....\$13,517

University of Alberta, Faculty of Law

Undergraduate Awards.....\$20,000

University of Calgary, Faculty of Law, Voices in Law

Speakers Series.....\$16,000

Workers' Resource Centre

Public Legal Education Program.....\$84,707

Case Work Program.....\$159,178

Community, Student and Native People's Legal Programs

Calgary Legal Guidance

Volunteer lawyer clinic services; follow-up legal advice and representation; public legal education, information and referral; Homeless Outreach program; related administration costs \$2,106,000

Medicine Hat Legal Help Centre Project..... \$66,006

Central Alberta Legal Clinic Foundation

Volunteer lawyer clinic services; follow-up legal advice and representation; public legal education, information and referral; related administration costs..... \$434,100

Central Alberta Women's Outreach Society

Legal information, assistance and referral in Red Deer and area..... \$136,262

Crowsnest Pass Women's Resource and Crisis Centre

Legal information, support and referral services..... \$17,250

Edmonton Community Legal Centre

Volunteer lawyer clinic services; follow-up legal advice and representation; public legal education, information and referral; related administration costs..... \$1,426,466

Grande Prairie Legal Guidance - volunteer lawyer clinic services; information and referral; public legal education..... \$65,427

Family Law Project - volunteer lawyer clinic services; follow-up legal advice and representation; public legal education..... \$478,741

Family Law Booklets Printing Project..... \$8,240

Elizabeth Fry Society of Calgary

Calgary Adult and Youth Court Program - information, guidance, referral and support to persons in Provincial and Youth Court; Community Awareness Program for Immigrants..... \$262,000

Satellite Court Expansion Projects..... \$84,292

Elizabeth Fry Society of Edmonton

Edmonton Adult Court Program - information, guidance, referral and support to persons in Edmonton Provincial Court..... \$75,711

Edmonton Youth Court Program - information, guidance, referral and support to persons in Edmonton Youth and Family Court..... \$91,761

Volunteer lawyer clinic at the Edmonton Institution for Women..... \$13,593

Satellite Court Program in St Albert, Stony Plain and Morinville..... \$63,747

Satellite Court Program in Fort Saskatchewan and Sherwood Park..... \$64,847

Satellite Court Project in Wetaskiwin, Camrose and Ponoka..... \$76,010

Satellite Court Project in Red Deer..... \$63,260

Lethbridge Legal Guidance

Volunteer lawyer clinic services; follow-up legal advice and representation; public legal education, information and referral; related administration costs..... \$364,720

Native Counselling Services of Alberta

BearPaw Media Productions..... \$100,000

BearPaw Legal Education and Resource Centre..... \$344,000

Pro Bono Law Alberta

Partial funding of operations costs to assist delivery of pro bono legal services..... \$209,561

Student Legal Assistance, University of Calgary

Provision of legal information and assistance to the community by law students..... \$383,989

Student Legal Services of Edmonton, University of Alberta

Provision of legal information and assistance to the community by law students, including Pro Bono Students Canada at the University of Alberta..... \$389,297

University of Alberta, Faculty of Law, Aboriginal Law Students Association

Speakers Series..... \$9,495

University of Calgary, Faculty of Law, Pro Bono Students Canada

Funding for student coordination of volunteer programs..... \$30,289

University of Saskatchewan, Native Law Centre

Partial funding of the legal research and education program..... \$20,000

Women's Centre of Calgary

Legal Clinic Volunteer Coordinator..... \$25,615

2016-17 FINANCIAL RESULTS

Revenue

IOLTA revenue for 2016-17 was \$11.6 million, down \$1.6 million or 12% compared to the previous year, and down 40% compared to two years ago. The fall in IOLTA revenue was due in part to reduced economic activity in the province which led to lower trust balances, and slightly lower interest rates paid by financial institutions compared to 2015-16.

Investment and other revenue was \$4.5 million in 2016-17, resulting in total revenue of \$16.1 million. Total revenue was down \$1.8 million, or 10%, compared to 2015-16, and down 35% compared to two years ago, but about \$3 million higher than budgeted.

Allocation to Legal Aid Alberta

The 2016-17 allocation to Legal Aid Alberta was \$2,905,137 equal to 25% of the Foundation's IOLTA revenue, as required under the Legal Profession Act. This amount represents 17% of all funding allocations made in 2016-17. Total allocations by the Foundation to Legal Aid Alberta between 1991 and 2017 amount to almost \$108 million.

Grant Allocations

The Foundation Board approved 61 of 66 grant applications reviewed in 2016-17, compared to 74 of 79 reviewed in 2015-16. Grant allocations in 2016-17 for programs and projects conducted by non-profit grantees totalled \$14.3 million compared to \$17 million in 2015-16, a reduction of \$2.7 million or 16%.

This reduction was the result of a grant prioritization process undertaken by the Foundation, as planned, to identify programs and projects that are most closely aligned with the Foundation's objects and priorities, and which demonstrate the greatest impact at a reasonable cost. It reflects the reduction of funding for some programs and the elimination of funding for others. However, some new initiatives were funded in 2016-17, including a project grant to the Edmonton Community Legal Centre to allow it to expand the scope of services it is able to provide in the family law area. The net reduction in grant allocations brings the level of grants closer to the Foundation's IOLTA revenue, as part of the continuing effort to balance the revenue/grant budget by 2020.

Net Financial Result

For the year ended March 31, 2017, the Foundation incurred an operating loss of \$1.6 million, and an overall net loss of \$1.1 million after taking into account the change in unrealized gains and losses on investments. This result was much better than the anticipated loss of almost \$6 million, due to better than expected IOLTA and investment revenue, and the reduction in grants noted above. The remaining shortfall has been met by drawing on Foundation reserves.

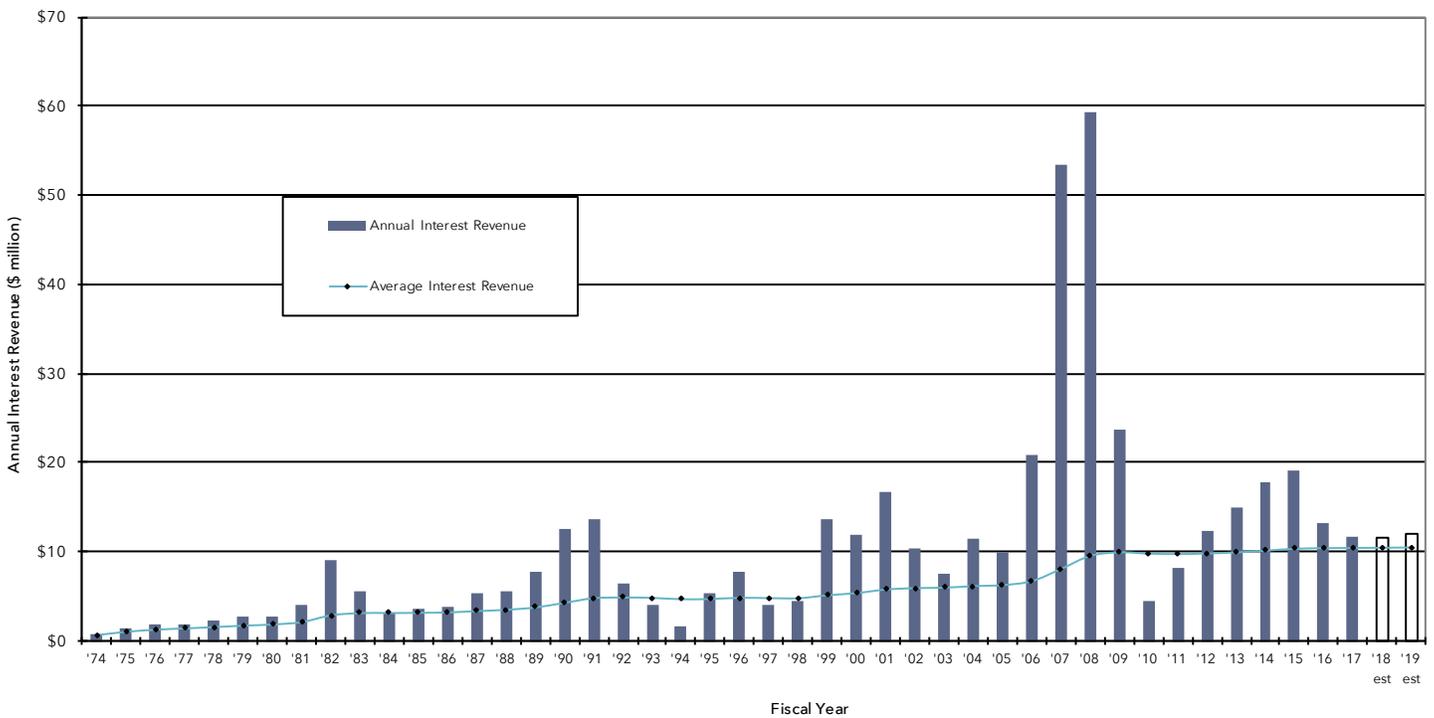
FISCAL OUTLOOK FOR 2017-18

There are some indications that the Alberta economy will improve gradually over the next few years. Increases in the prime interest rate that have occurred since the end of the 2016-17 fiscal year will translate into higher rates to be paid by financial institutions on lawyers' pooled trust accounts. However, the net impact on the Foundation's income over the coming year is not entirely certain. A portion (25%) of the anticipated increase in IOLTA revenue will be contributed to Legal Aid Alberta pursuant to the terms of the Legal Profession Act. Further, there are continuing threats to the Foundation's IOLTA revenue from other fronts, including potential changes in

the structure of real estate transactions, which currently account for a large part of the balances held in lawyers' pooled trust accounts.

Accordingly, the Foundation currently forecasts that IOLTA revenue for 2017-18 will be higher than in 2016-17, which may be sufficient to balance the revenue/grant budget earlier than the target date of 2020. In the meantime, the Foundation's grant program in the coming year will continue to focus on programs and initiatives that are consistent with the Board's priorities and provide the greatest possible impact at a reasonable cost.

Alberta Law Foundation Interest on Lawyers' Pooled Trust Accounts



ALBERTA LAW FOUNDATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 2,916,986	\$ 953,406
Investments (note 2)	-	1,963,265
Rent security deposit	-	6,416
Accrued interest - bank accounts	1,751	1,592
Interest receivable:		
Lawyers' pooled trust accounts (note 1(b))	1,054,086	956,345
Receivable for investments sold	-	2,000,000
	<u>3,972,823</u>	<u>5,881,024</u>
Investments (note 2)	81,766,020	84,271,785
	<u>\$ 85,738,843</u>	<u>\$ 90,152,809</u>
Liabilities and Net Assets		
Current liabilities:		
Deferred revenue (note 3)	\$ -	\$ 204,539
Accounts payable and accrued liabilities	49,676	80,084
Grants payable (note 6)	12,086,816	14,775,487
Payable to Legal Aid Alberta (note 7)	2,905,137	3,316,971
	<u>15,041,629</u>	<u>18,377,081</u>
Net Assets:		
Grant stabilization fund	36,621,360	44,971,731
Strategic reserve fund	32,622,048	25,116,677
Unrestricted	1,453,806	1,687,320
	<u>70,697,214</u>	<u>71,775,728</u>
Commitments (note 8)		
	<u>\$ 85,738,843</u>	<u>\$ 90,152,809</u>

A complete copy of the audited financial statements, including the notes and the auditor's report, is available on the ALF web site: www.albertalawfoundation.org

ALBERTA LAW FOUNDATION

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Interest earned on lawyers' pooled trust accounts	\$ 11,620,549	\$ 13,267,884
Investment Income (note 2)	3,959,494	4,251,202
Income recognized from deferred revenue (note 3)	205,171	290,000
Undisbursable trust balances from Law Society of Alberta	347,246	154,293
	<u>16,132,460</u>	<u>17,963,379</u>
Expenses:		
Salaries	521,121	526,583
Investment advisory fee	213,093	221,204
Rent and parking	123,661	75,271
Computing / Web Services	31,573	31,713
Board travel and meetings	26,043	56,764
General administration	24,390	24,123
Professional fees	22,529	24,806
Insurance	10,837	24,105
Contract fees	5,110	100,671
	<u>978,357</u>	<u>1,085,240</u>
Allocation to Legal Aid Alberta (note 7)	2,905,137	3,316,971
Project payments related to deferred revenue (note 3)	205,171	290,000
Excess of revenues over expenses before grant allocations	<u>12,043,795</u>	<u>13,271,168</u>
Deduct:		
Project grant allocations (note 6)	2,096,102	1,976,918
Program grant allocations (note 6)	12,207,120	14,990,577
Total grant allocations	<u>14,303,222</u>	<u>16,967,495</u>
Add:		
Grant refunds (note 4)	436,941	388,440
Allocations withdrawn (notes 4 and 6)	172,776	36,411
	<u>609,717</u>	<u>424,851</u>
Net Grant Allocations:	<u>13,693,505</u>	<u>16,542,644</u>
Deficiency of revenues over expenses before unrealized (loss) gain on investments	(1,649,710)	(3,271,476)
Change in unrealized gain (loss) on investments	571,196	(4,148,896)
Deficiency of revenues over expenses	<u>\$ (1,078,514)</u>	<u>\$ (7,420,372)</u>

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ALBERTA LAW FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Unrestricted	Grant Stabilization Fund	Strategic Reserve Fund	2017 Total	2016 Total
Balance, beginning of year	\$ 1,687,320	\$ 44,971,731	\$ 25,116,677	\$ 71,775,728	\$ 79,196,100
Deficiency of revenue over expenses	(1,078,514)	-	-	(1,078,514)	(7,420,372)
Internally designated transfers (note 5)	845,000	-	(845,000)	-	-
Internally designated transfers (note 5)	-	(8,350,371)	8,350,371	-	-
Balance, end of year	\$ 1,453,806	\$ 36,621,360	\$ 32,622,048	\$ 70,697,214	\$ 71,775,728

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ALBERTA LAW FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (1,078,514)	\$ (7,420,372)
Items not involving cash:		
Change in unrealized gain/loss on investments	(571,196)	4,148,896
Net realized gain on sale of investments	(435,226)	(77,265)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(30,408)	(1,025)
Grants payable	(2,688,671)	(707,287)
Deferred revenue	(204,539)	(287,307)
Payable to Legal Aid Alberta	(411,834)	(2,683,029)
Interest receivable - lawyers' pooled trust accounts	(97,741)	427,453
Accrued Interest - bank accounts	(159)	1,804
Rent Security Deposit	6,416	—
Receivable for investments sold	2,000,000	(2,000,000)
	(3,511,872)	(8,598,132)
Investments:		
Purchase of investments	(30,362,759)	(9,495,263)
Proceeds from disposal of investments	33,874,946	16,085,180
Decrease in cash held for deferred revenue	204,426	287,065
Increase in cash held for investments	1,758,839	2,310,607
	5,475,452	9,187,589
Increase in cash	1,963,580	589,457
Cash, beginning of year	953,406	363,949
Cash, end of year	\$ 2,916,986	\$ 953,406

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BOARD OF DIRECTORS

Barry R. Gardiner, FCPA, FCA (Edmonton)
Stephanie L. Dobson, B.A., J.D. (Lloydminster)
Gregory D. M. Stirling, Q.C. (Calgary)
Darlene W. Scott, Q.C. (Edmonton) appointed October 2016
Anthony G. Young, Q.C., Chair (Calgary) (retired as Chair September 2016)
Thomas G. Rothwell, B.A., LL.B. (Edmonton) (retired February 2016)

STAFF

Deborah Duncan - Executive Director
Tara Laponsee - Director of Finance & Administration
Janet Kerrigan - Grants Coordinator
Michelle Bickley - Grants Coordinator
Diana Porter - Administrative Assistant

Alberta **LAW**
FOUNDATION

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