

Financial Statements of

ALBERTA LAW FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Alberta Law Foundation

Opinion

We have audited the financial statements of Alberta Law Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

June 7, 2020

ALBERTA LAW FOUNDATION

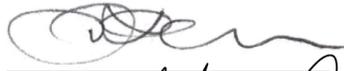
Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$5,223,192	\$3,961,468
Accrued interest - bank accounts	7,987	7,455
Interest receivable:		
Lawyers' pooled trust accounts (note 1(b))	2,048,029	2,747,771
Undisbursable trust balances receivable	-	167,611
Prepaid expenses	11,636	7,713
	<u>7,290,844</u>	<u>6,892,018</u>
Investments (note 2)	101,352,111	100,744,330
	<u>\$108,642,955</u>	<u>\$107,636,348</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$86,303	\$79,140
Grants payable (note 6)	14,499,744	12,656,630
Payable to Legal Aid Alberta ("LAA") (note 7)	8,022,453	7,774,818
	<u>22,608,500</u>	<u>20,510,588</u>
Net Assets:		
Grant stabilization fund (note 4)	45,000,000	45,000,000
Strategic reserve fund (note 4)	12,100,000	37,500,000
Designated for future year grants (note 5)	1,383,524	2,776,012
Special contribution to LAA for future years (note 7)	25,900,000	-
Unrestricted	1,650,931	1,849,748
	<u>86,034,455</u>	<u>87,125,760</u>
Commitments (note 8)		
	<u>\$108,642,955</u>	<u>\$107,636,348</u>

See accompanying notes to financial statements

Approved by the Board:



Director



Director

ALBERTA LAW FOUNDATION

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Interest earned on lawyers' pooled trust accounts	\$ 32,089,811	\$ 31,099,272
Investment Income (note 2)	3,559,816	3,506,374
Undisbursable trust balances from Law Society of Alberta	233,166	167,610
	35,882,793	34,773,256
Expenses:		
Salaries	649,850	571,449
Investment advisory fee	252,821	218,503
Rent and parking	79,160	80,286
Travel and meetings	41,122	47,247
Computing and web services	31,879	29,844
General administration	21,255	23,253
Professional fees	21,071	20,223
Insurance	10,842	10,761
Community engagement	6,969	3,340
Contract fees	5,685	13,854
	1,120,654	1,018,486
Allocation to Legal Aid Alberta (note 7)	8,022,453	7,774,818
Excess of revenues over expenses before grant allocations	26,739,686	25,979,952
Deduct:		
Project grant allocations (note 6)	2,287,778	1,207,678
Program grant allocations (note 6)	14,113,722	13,295,948
Total grant allocations	16,401,500	14,503,626
Add:		
Grant refunds (note 3)	427,830	484,742
Allocations withdrawn (notes 3 and 6)	8,079	159,235
	435,909	643,977
Net grant allocations:	15,965,591	13,859,649
Excess of revenues over expenses before unrealized loss on investments and LAA special contribution	10,774,095	12,120,303
Change in unrealized (loss) gain on investments	(3,365,400)	1,683,560
Legal Aid Alberta special contribution current year (note 7)	(8,500,000)	-
(Deficiency) excess of revenues over expenses	\$ (1,091,305)	\$ 13,803,863

See accompanying notes to financial statements.

ALBERTA LAW FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Designated for Future Year Grants	Special contribution to LAA for future years	Grant Stabilization Fund	Strategic Reserve Fund	2020 Total	2019 Total
Balance, beginning of year	\$1,849,748	\$2,776,012	\$ -	\$45,000,000	\$37,500,000	\$87,125,760	\$73,321,897
(Deficiency) excess of revenue over expenses	(1,091,305)	-	-	-	-	(1,091,305)	13,803,863
Internally designated transfer to unrestricted (Note 5)	2,496,264	(2,496,264)	-	-	-	-	-
Internally designated transfer from unrestricted (Note 5)	(1,103,776)	1,103,776	-	-	-	-	-
Internally designated transfer (Note 4 and 7)	8,500,000	-	-	-	(8,500,000)	-	-
Internally designated transfer (Note 7)	-	-	25,900,000	-	(25,900,000)	-	-
Internally designated transfer (Note 4)	(9,000,000)	-	-	-	9,000,000	-	-
Balance, end of year	\$1,650,931	\$1,383,524	\$25,900,000	\$45,000,000	\$12,100,000	\$86,034,455	\$87,125,760

See accompanying notes to financial statements.

ALBERTA LAW FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenue over expenses	\$(1,091,305)	\$ 13,803,863
Items not involving cash:		
Change in unrealized loss (gain) on investments	3,365,400	(1,683,560)
Net realized loss on sale of investments (note 2)	454,797	177,600
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	7,163	(2,027)
Grants payable	1,843,114	1,411,332
Payable to Legal Aid Alberta	247,635	2,951,920
Interest receivable - lawyers' pooled trust accounts	699,742	(271,293)
Accrued interest - bank accounts	(532)	(2,413)
Undisbursable trust balances receivable	167,611	(167,610)
Prepaid expenses	(3,923)	447
	5,689,702	16,218,259
Investments:		
Purchase of investments	(36,291,711)	(37,901,546)
Proceeds from disposal of investments	31,863,733	21,287,165
	(4,427,978)	(16,614,381)
Increase (decrease) in cash	1,261,724	(396,122)
Cash, beginning of year	3,961,468	4,357,590
Cash, end of year	\$ 5,223,192	\$ 3,961,468

See accompanying notes to financial statements.

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

Nature of operations:

The Alberta Law Foundation (the “Foundation”) was established by amendments to the Legal Profession Act, which became effective on April 1, 1973. The Foundation is the recipient of the interest which banks, credit unions, trust companies, and treasury branches must pay on clients’ funds held in lawyers’ pooled trust accounts. The Foundation also earns investment income and receives undisburseable trust funds from the Law Society of Alberta. The interest earned on lawyers’ pooled trust accounts is calculated and remitted to the Foundation based on agreements made with individual financial institutions. This does not include interest paid on a specific trust investment held for an individual client. The interest and other net income are made available by the Foundation to organizations engaged in activities which are considered to be in keeping with the Foundation’s objects pursuant to the Legal Profession Act. The Foundation is a not-for-profit organization as defined in the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountant Handbook.

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Alberta resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The reduction in the prime interest rate in March 2020 has reduced the interest rate payable to the Foundation under contracts with financial institutions holding lawyers’ pooled trust accounts. As at the reporting date, the Foundation has determined that COVID-19 has had no impact on its other contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Management has assessed the financial impacts of the COVID-19 pandemic and did not identify any impacts on its financial statements as at March 31, 2020.

There are other factors which present uncertainty over future revenues and cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time.

a) Financial instruments:

The Foundation records financial instruments at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost and tested for impairment at each reporting date if there are indicators of impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

b) Interest received on lawyers' pooled trust accounts:

The Foundation reports interest earned on lawyers' pooled trust accounts as received or receivable. The lawyers' pooled trust accounts are not the property of, nor administered by, the Foundation. The Foundation records the amount of interest receivable at the time the amounts are determinable from the individual financial institutions. As at March 31, 2020, the Foundation recognized interest receivable of \$2,048,029 (2019 - \$2,747,771) from lawyers' pooled trust accounts.

c) Cash:

Cash includes cash deposited with financial institutions.

d) Investments:

Investments are recorded at fair value based upon closing prices for publicly traded securities and quoted prices for fixed rate investments. Realized investment gains (losses) are recorded on a settlement date basis. Any unrealized gains (losses) are reflected as a change in unrealized gain (loss) on investments in the statement of operations. Interest earned on investments is recorded on an accrual basis.

e) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recorded as deferred revenue, and are recognized as revenue in the year in which the related expenses are incurred.

f) Grant Stabilization Fund:

The Grant Stabilization Fund represents amounts which are reserved for future funding of programs, at the Board's discretion, in those years when net revenues and other reserves are deemed inadequate, and require the approval of the Board of Directors prior to allocation.

g) Strategic Reserve Fund:

The Strategic Reserve Fund represents amounts which are reserved for long term strategic purposes and require the approval of the Board of Directors prior to allocation.

h) Designated for Future Year Grants

The amount Designated for Future Year Grants represents the amount of grants committed to be funded in future years if certain conditions are met.

i) Special Contribution to LAA for Future Years:

In the fiscal year ended March 31, 2020, the Directors approved the creation of an internally designated account to segregate the amount of special contributions committed to Legal Aid Alberta in future years.

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

j) Unrestricted net assets:

Unrestricted net assets represent amounts which have not been committed to projects, programs or otherwise restricted.

k) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

l) Changes in accounting standards:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of new handbook sections in the Accounting Standards for Not-for-Profit Part III of the Handbook as follows:

Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a nonreversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at April 1, 2019.

Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

l) Changes in accounting standards (continued):

accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at April 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at April 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

2. Investments:

As at March 31, 2020, market values reflect unrealized gains or losses on certain investments. Included in investment income are realized losses from the sale of investments of \$490,858 (2019 - \$201,421) and realized gains from the sale of investments of \$36,061 (2019 - \$23,821).

Investments maturing within one year are classified as current assets.

It is not the intention of the Foundation to actively engage in the purchase and sale of securities on a short term basis, but primarily to meet liquidity needs if and when they arise.

The Foundation's investment policy specifies the maximum levels of direct equity market exposure, in addition to fixed and variable rate investments. The policy addresses issues of diversification, asset allocation, investment concentration and minimum credit ratings. Investment decisions are made by an experienced professional investment manager in accordance with the Foundation's Statement of Investment Policy and Procedures.

	2020		2019	
	Cost	Fair value	Cost	Fair value
Short Term Bond	35,133,392	\$34,705,189	\$ 36,794,525	\$ 35,999,672
Bond Fund A	34,537,812	34,668,133	37,022,636	36,735,178
High Yield Bond Fund	9,590,766	8,649,008	8,980,546	8,621,901
Equity Income & Growth I	13,806,821	12,081,373	9,642,341	9,866,539
Q Group Global Equity	13,080,391	11,248,408	9,735,952	9,521,040
	\$ 106,149,182	\$101,352,111	\$ 102,176,000	\$ 100,744,330

Investment income of \$3,559,816 (2019 - \$3,506,374) was earned during the year.

All securities present a risk of potential loss of capital. Management manages this risk through working closely with a professional investment manager within the parameters established by the Foundation's Statement of Investment Policy and Procedures.

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

3. Grant refunds and allocations withdrawn:

Grant refunds represent funds returned to the Foundation from projects or programs which did not require all the funds originally advanced to them by the Foundation.

Approved grants contain restrictions on the use of funds that may result in a portion of the grants payable being withheld. Grants payable allocations are withdrawn (reversed) when the Foundation becomes aware that the funds are no longer required or when grant conditions have not been met.

4. Internally Restricted Net Assets - Grant Stabilization Fund and Strategic Reserve Fund:

The Grant Stabilization Fund and the Strategic Reserve Fund are subject to internally imposed restrictions and require the approval of the Board of Directors for all transactions related to those funds.

In the fiscal year ended March 31, 2020, the Directors approved the transfer of \$nil (2019 - \$567,400) from the Strategic Reserve Fund to Unrestricted Net Assets in order to fund the project grant approved to the University of Alberta, Faculty of Law for the Wahkohtowin Law & Governance Lodge Project. In the fiscal year ended March 31, 2020, the Directors approved the transfer of \$nil (2019 - \$5,300,151) from Unrestricted Net Assets to the Grant Stabilization Fund in accordance with the internal reserve policy established by the Directors. In the fiscal year ended March 31, 2020, the Directors approved the transfer of \$8,500,000 (2019 - \$nil) from the Strategic Reserve Fund to Unrestricted Net Assets to fund the special contribution to Legal Aid Alberta (refer to Note 7 for more details). In the fiscal year ended March 31, 2020, the Directors approved the transfer of \$25,900,000 (2019 – nil) from the Strategic Reserve Fund to the newly created account Special contribution to LAA for future years (refer to Note 7 for more details). In the fiscal year ended March 31, 2020, the Directors approved the transfer of \$9,000,000 (2019 - \$5,445,352) from Unrestricted Net Assets to the Strategic Reserve Fund, in accordance with the internal reserve policy established by the Directors.

5. Designated for Future Year Grants:

In the fiscal year ended March 31, 2019, the Directors approved the creation of an internally designated account to segregate the amount of grants approved for future year funding, subject to certain conditions being met. In the fiscal year ended March 31, 2020, grants in the amount of \$2,496,264 were allocated and transferred to Unrestricted Net Assets after conditions precedent were met in the year, and the Directors designated the amount of \$1,103,776 for grants to be allocated in future years if certain conditions are met. The amounts designated for future years at March 31, 2020 are as follows:

2021	205,724
2022	1,177,800

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

6. Grants payable:

	2020	2019
Balance, beginning of year	\$ 12,656,630	\$ 11,245,298
Add:		
Program grant allocations:		
Research and reform	2,195,068	2,108,956
Law libraries	1,321,432	1,259,628
Public legal education	1,552,994	1,490,055
Community, student and native legal programs	9,044,228	8,437,309
	14,113,722	13,295,948
Project grant allocations:		
Research and reform	299,350	247,694
Law libraries	33,000	83,725
Public legal education	253,143	77,015
Community, student and native legal programs	1,702,285	799,244
	2,287,778	1,207,678
Deduct:		
Allocations withdrawn from projects and programs:		
Research and reform	-	136,500
Public Legal Education	8,079	22,735
	8,079	159,235
Allocations Paid:		
Research and reform	2,325,120	2,597,074
Law libraries	1,343,353	1,200,000
Public legal education	1,633,046	1,428,727
Community, student and native legal programs	9,248,788	7,707,258
	14,550,307	12,933,059
Balance end of year	\$ 14,499,744	\$ 12,656,630

7. Payable to Legal Aid Alberta (LAA):

The Legal Profession Act requires the Foundation to pay 25% of the interest it receives on lawyers' pooled trust accounts to Legal Aid Alberta not more than six months after each fiscal year-end. As at March 31, 2020, the Foundation recognized a contribution to Legal Aid Alberta of \$8,022,453 (2019 - \$7,774,818) equal to the 25% required by the Legal Profession Act. In the fiscal year ended March 31, 2020, the Foundation committed to make a special contribution to Legal Aid Alberta in the total amount of \$34,400,000 payable over three years from the Strategic Reserve Fund, over and above the 25% statutory contribution. In the fiscal year ended March 31, 2020, the Foundation paid \$8,500,000 to Legal Aid Alberta as a special contribution from the Strategic Reserve Fund. In the fiscal year ended March 31, 2020, the Directors approved the creation of an internally designated account to segregate the amount of special contributions committed to Legal Aid Alberta in future years, and approved the transfer of \$25,900,000 from the Strategic Reserve Fund to that account.

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

8. Commitments:

On March 31, 2016, the Foundation entered into a lease agreement commencing June 1, 2016 for new office premises expiring May 21, 2021. Future operating lease payments for office premises related to this lease agreement are as follows:

2021	58,896
2022	14,724

9. Financial instruments:

The Foundation's financial instruments recognized in the statement of financial position consist of cash, investments, accrued interest receivable, interest receivable on lawyers' pooled trust accounts, undisbursable trust balances receivable, accounts payable and accrued liabilities, grants payable and payable to Legal Aid Alberta. The carrying values approximate fair values given their short-term nature. The fair value of investments is disclosed in note 2.

The Foundation's investment activities expose it to a variety of financial risks:

(a) Credit risk:

The Foundation's maximum exposure to credit risk is on cash, investments, and interest receivable and undisbursable trust balances receivable.

Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Cash is placed with reputable commercial financial institutions. Credit risk for interest receivable, accounts receivable, undisbursable trust balances receivable and the investments is the risk that the obligation will fail to be discharged causing the Foundation to incur a financial loss. Credit risk is minimized by ensuring that credit is only extended to those entities that management believes has the financial capacity to pay obligations due to the Foundation, and the investments are diversified across different classes of assets and such investments are managed by a professional investment manager in accordance with the Foundation's Statement of Investment Policy and Procedures.

Management and the Board of Directors of the Foundation periodically review its investments to ensure that the credit risk assumed is appropriate.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will encounter difficulty in liquidating investments on a timely basis to meet commitments or protect its assets. Management controls liquidity risk through cash flow projections used to forecast funding requirements for its financial instruments.

(c) Market risk:

Current and future investments are subject to market risk due to changes in the value of investments in the fund. Fluctuations in general market interest rates have an impact on investment returns in fixed income investments.

ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020, with comparative information for 2019

9. Financial Instruments (continued)

(d) 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 interest rates. The Foundation is exposed to interest rate risk on its investments in fixed income (bond) funds and equity funds.

(e) Foreign currency:

The Foundation is exposed to foreign currency fluctuations on the underlying investments denominated in foreign currency.

There is no change in risk exposures from 2019.