

Financial Statements of

**ALBERTA LAW FOUNDATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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

## INDEPENDENT AUDITOR'S 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, 2023
- 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 a summary of 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, 2023, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

***Auditor's 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 auditor's 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 auditor's 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 auditor's 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 12, 2023

# ALBERTA LAW FOUNDATION

## Statement of Financial Position

March 31, 2023, with comparative information for 2022


	2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 12,635,974	\$ 3,065,159
Accrued interest – bank accounts	42,202	1,685
Interest receivable:		
Lawyers' pooled trust accounts (note 1(b))	11,823,888	1,401,423
Prepaid expenses	15,553	12,327
Receivable for investments sold	–	1,500,000
	<u>24,517,617</u>	<u>5,980,594</u>
Investments (note 2)	132,727,578	76,380,015
	<u>\$ 157,245,195</u>	<u>\$ 82,360,609</u>


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 102,862	\$ 70,380
Grants payable (note 6)	17,379,677	12,798,173
Payable to Legal Aid Alberta ("LAA") (note 7)	22,664,880	2,728,761
	<u>40,147,419</u>	<u>15,597,314</u>
Net Assets:		
Grant stabilization fund (note 4)	55,000,000	45,000,000
Strategic reserve fund (note 4)	58,000,000	19,600,000
Designated for future year grants (note 5)	2,788,284	1,161,348
Unrestricted	1,309,492	1,001,947
	<u>117,097,776</u>	<u>66,763,295</u>
Commitments (note 8)		
	<u>\$ 157,245,195</u>	<u>\$ 82,360,609</u>

See accompanying notes to financial statements.

Approved by the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# ALBERTA LAW FOUNDATION

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Interest earned on lawyers' pooled trust accounts	\$ 90,659,520	\$ 10,915,044
Investment income (note 2)	2,243,783	4,334,551
Interest income on bank accounts	354,795	12,092
Undisbursable trust balances from Law Society of Alberta	374,574	391,070
Other revenue (note 10)	–	218,000
	93,632,672	15,870,757
Expenses:		
Salaries	738,420	692,051
Investment advisory fees	227,575	210,474
Computing and web services	93,742	37,918
Rent for premises	57,447	62,892
Contract fees	57,126	17,246
Professional fees	23,041	22,072
Travel and meetings	22,839	–
General administration	22,273	12,005
Insurance	12,164	11,092
Research and community engagement	3,382	–
	1,258,009	1,065,750
Allocation to Legal Aid Alberta ("LAA") (note 7)	22,664,880	2,728,761
Excess of revenues over expenses before grant allocations	69,709,783	12,076,246
Deduct:		
Operating grant allocations (note 6)	14,983,217	12,675,654
Project grant allocations (note 6)	4,265,672	1,484,428
Total grant allocations	19,248,889	14,160,082
Add:		
Grant refunds (note 3)	737,742	532,105
Allocations withdrawn (notes 3 and 6)	27,834	16,658
	765,576	548,763
Net grant allocations	18,483,313	13,611,319
Excess (deficiency) of revenues over expenses before undermentioned items	51,226,470	(1,535,073)
Change in unrealized loss on investments	(891,989)	(4,136,293)
LAA special contribution current year (note 7)	–	(3,700,000)
Excess (deficiency) of revenues over expenses	\$ 50,334,481	\$ (9,371,366)

See accompanying notes to financial statements.

# ALBERTA LAW FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Unrestricted	Designated for Future Year Grants	Grant Stabilization Fund	Strategic Reserve Fund	2023 Total	2022 Total
Balance, beginning of year	\$ 1,001,947	\$ 1,161,348	\$ 45,000,000	\$ 19,600,000	\$ 66,763,295	\$ 76,134,661
Excess (deficiency) of revenue over expenses	50,334,481	—	—	—	50,334,481	(9,371,366)
Internally designated transfer to unrestricted (note 5)	1,161,348	(1,161,348)	—	—	—	—
Internally designated transfer from unrestricted (note 5)	(2,788,284)	2,788,284	—	—	—	—
Internally designated transfer (note 4)	(10,000,000)	—	10,000,000	—	—	—
Internally designated transfer (note 4)	(38,400,000)	—	—	38,400,000	—	—
<b>Balance, end of year</b>	<b>\$ 1,309,492</b>	<b>\$ 2,788,284</b>	<b>\$ 55,000,000</b>	<b>\$ 58,000,000</b>	<b>\$ 117,097,776</b>	<b>\$ 66,763,295</b>

See accompanying notes to financial statements.

# ALBERTA LAW FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 50,334,481	\$ (9,371,366)
Items not involving cash:		
Change in unrealized loss on investments	891,989	4,136,293
Net realized loss on sale of investments (note 2)	138,346	245,567
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	32,482	(5,372)
Grants payable	4,581,504	(931,167)
Payable to Legal Aid Alberta	19,936,119	996,562
Interest receivable – lawyers’ pooled trust accounts	(10,422,465)	(695,576)
Accrued interest – bank accounts	(40,517)	(682)
Prepaid expenses	(3,226)	(484)
	65,448,713	(5,626,225)
Investments:		
Purchase of investments	(100,833,706)	(35,038,982)
Proceeds from disposal of investments	44,955,808	41,065,895
	(55,877,898)	6,026,913
Increase in cash	9,570,815	400,688
Cash, beginning of year	3,065,159	2,664,471
Cash, end of year	\$ 12,635,974	\$ 3,065,159

See accompanying notes to financial statements.



# ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

---

## 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 undisbursable 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 Accountants (“CPA”) Canada Handbook.

### 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 change in unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred. Financial assets are assessed for impairment at each reporting date if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# ALBERTA LAW FOUNDATION

## Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

---

### 1. Significant accounting policies (continued):

b) Interest 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, 2023, the Foundation recognized interest receivable of \$11,823,888 (2022 – \$1,401,423) 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 and dividends earned on investments are 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.

For the comparative year, government assistance toward current expenses is included in the determination of deficiency of revenues over expenses for the period. Government assistance is presented as part of other revenue.

f) Grant Stabilization Fund:

The Grant Stabilization Fund represents amounts which are reserved for future funding of programs, at the Board of Directors' 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.

# ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

---

## 1. Significant accounting policies (continued):

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) Unrestricted net assets:

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

j) 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.

## 2. Investments:

As at March 31, 2023, market values reflect unrealized gains or losses on certain investments. Included in investment income are realized losses from the sale of investments of \$217,042 (2022 – \$835,670) and realized gains from the sale of investments of \$78,696 (2022 – \$590,103).

Investments are held for purposes other than meeting current cash commitments and are classified as long-term 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.

# ALBERTA LAW FOUNDATION

## Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

### 2. Investments (continued):

	2023		2022	
	Cost	Fair value	Cost	Fair value
Cash held (Trade due for settlement)	\$ 42,985	\$ 42,985	\$ (350,585)	\$ (350,585)
Money Market Fund	1,952,273	1,952,273	1,114,349	1,114,349
Short Term Bond	47,881,194	46,343,100	27,357,237	25,891,764
Universe Bond Alpha Plus	47,661,317	46,030,895	28,054,935	25,968,232
High Yield Bond Fund	14,259,732	13,308,510	8,253,928	7,653,799
Equity Income & Growth Fund	12,553,253	12,839,960	6,936,069	8,538,134
Global Equity	12,687,247	12,209,855	8,432,516	7,564,322
	<u>\$ 137,038,001</u>	<u>\$ 132,727,578</u>	<u>\$ 79,798,449</u>	<u>\$ 76,380,015</u>

Investment income of \$2,243,783 (2022 – \$4,334,551) 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.

### 3. Grant refunds and allocations withdrawn:

Grant refunds represent amounts returned by grantees to the Foundation from projects or operating funding as they 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:

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, 2023, the Board of Directors approved the transfer of \$10,000,000 (2022 – \$nil) from Unrestricted Net Assets to the Grant Stabilization Fund and the transfer of \$38,400,000 (2022 – \$nil) to the Strategic Reserve Fund, in accordance with the internal reserve policy established by the Board of Directors.

# ALBERTA LAW FOUNDATION

## Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

### 5. Designated for Future Year Grants:

In the fiscal year ended March 31, 2023, grants in the amount of \$1,161,348 (2022 – \$2,280,712) were allocated and transferred from Designated for future year grants to Unrestricted Net Assets after conditions precedent were met in the year. In the fiscal year ended March 31, 2023, the Board of Directors designated the amount of \$2,788,284 (2022 – \$1,161,348) for grants to be allocated in future years if certain conditions are met.

### 6. Grants payable:

	2023	2022
Balance, beginning of year	\$ 12,798,173	\$ 13,729,340
Add:		
Operating grant allocations:		
Research and reform	2,067,088	2,013,132
Law libraries	1,316,500	1,226,732
Public legal education	1,308,112	1,334,506
Community, student and native legal programs	10,291,517	8,101,284
	14,983,217	12,675,654
Project grant allocations:		
Research and reform	339,683	–
Public legal education	224,584	198,972
Community, student and native legal programs	3,701,405	1,285,456
	4,265,672	1,484,428
Deduct:		
Allocations withdrawn from projects and programs:		
Public legal education	27,834	16,658
	27,834	16,658
Allocations paid:		
Research and reform	2,171,132	2,380,748
Law libraries	1,226,732	1,191,000
Public legal education	1,591,510	1,483,966
Community, student and native legal programs	9,650,177	10,018,877
	14,639,551	15,074,591
Balance, end of year	\$ 17,379,677	\$ 12,798,173

# ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

---

## 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 LAA not more than six months after each fiscal year-end. As at March 31, 2023 the Foundation recognized a contribution to LAA of \$22,664,880 (2022 – \$2,728,761) equal to the 25% required by the *Legal Profession Act*.

In the fiscal year ended March 31, 2023, the Foundation paid \$nil (2022 – \$3,700,000) to LAA from the LAA Special contribution to LAA for future years fund.

## 8. Commitments:

At March 31, 2023 the Foundation was committed to future lease payments for office premises (excluding operating costs) under a lease expiring May 31, 2026 in the following amounts:

---

2024	\$	34,896
2025		34,896
2026		34,896
2027		5,816

---

## 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, receivable for investments sold, accounts payable and accrued liabilities, grants payable and payable to Legal Aid Alberta. Except for investments, these instruments' 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, receivable for investments sold, interest receivable on lawyers' pooled trust accounts and accrued interest receivable.

# ALBERTA LAW FOUNDATION

## Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

---

### 9. Financial instruments (continued):

(a) Credit risk (continued):

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, interest receivable on lawyers' pooled trust accounts, receivable for investments sold 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 have the financial capacity to pay obligations due to the Foundation. 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.

(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.

(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 the prior year.

# ALBERTA LAW FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023, with comparative information for 2022

---

## 10. COVID-19 Subsidies:

The Government of Canada created a program called the Canada Emergency Wage Subsidy (“CEWS”) to provide wage assistance to organizations who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the CEWS program was terminated by the Government of Canada and accordingly the Foundation recognized a subsidy of \$nil (2022 – \$176,316) under the CEWS.

The Government of Canada created a program called the Canada Emergency Rent Subsidy (“CERS”) to provide rent assistance to organizations who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the CERS program was terminated by the Government of Canada and accordingly the Foundation recognized a subsidy of \$nil (2022 – \$41,684) under CERS.

The eligibility and subsidy amounts under the CEWS and CERS programs may be subject to audit by the Canada Revenue Agency. The entire amount for both subsidies was recognized as other revenue on the statement of operations for the comparative year.