Financial Statements of

ALBERTA LAW FOUNDATION

And Independent Auditor's Report thereon

Year ended March 31, 2024

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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, 2024
- 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, 2024, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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 9, 2024

ALBERTA LAW FOUNDATION

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 80,505,546	$ 12,635,974
Accrued interest – bank accounts	346,211	42,202
Interest receivable:		
Lawyers' pooled trust accounts (note 1(b))	13,644,881	11,823,888
Prepaid expenses	14,074	15,553
	94,510,712	24,517,617
Investments (note 2)	190,939,011	132,727,578
	$ 285,449,723	$ 157,245,195
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 143,639	$ 102,862
Grants payable (note 6)	19,312,190	17,379,677
Payable to Legal Aid Alberta ("LAA") (note 7)	38,995,845	22,664,880
	58,451,674	40,147,419
Net Assets:		
Internally restricted reserves:		
Grant stabilization (note 4)	66,000,000	55,000,000
Strategic reserve (note 4)	96,200,000	58,000,000
Large projects (note 4)	60,000,000	–
Future year grants (note 5)	1,776,755	2,788,284
Unrestricted net assets	3,021,294	1,309,492
	226,998,049	117,097,776
Commitment (note 8)		
	$ 285,449,723	$ 157,245,195

See accompanying notes to financial statements.

Approved by the Board:

Director

Director

ALBERTA LAW FOUNDATION

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenues:		
Interest earned on lawyers' pooled trust accounts	$ 155,983,379	$ 90,659,520
Investment income (note 2)	6,478,986	2,243,783
Interest income on bank accounts	1,900,518	354,795
Undisbursable trust balances from Law Society of Alberta	254,150	374,574
	164,617,033	93,632,672
Expenses:		
Salaries	1,119,348	738,420
Investment advisory fees	436,696	227,575
Contract fees	87,817	57,126
Travel and meetings	59,239	22,839
Rent for premises	59,085	57,447
Computing and web services	55,871	93,742
General administration	44,415	22,273
Research and community engagement	33,257	3,382
Professional fees	25,851	23,041
Insurance	13,149	12,164
	1,934,728	1,258,009
Allocation to Legal Aid Alberta ("LAA") (note 7)	38,995,845	22,664,880
Excess of revenues over expenses before grant allocations	123,686,460	69,709,783
Deduct:		
Operating grant allocations (note 6)	16,555,635	14,983,217
Project grant allocations (note 6)	4,162,063	4,265,672
Total grant allocations	20,717,698	19,248,889
Add:		
Grant refunds (note 3)	194,499	737,742
Allocations withdrawn (notes 3 and 6)	–	27,834
	194,499	765,576
Net grant allocations	20,523,199	18,483,313
Excess of revenues over expenses before undermentioned items	103,163,261	51,226,470
Change in unrealized gain (loss) on investments	6,737,012	(891,989)
Excess of revenues over expenses	$ 109,900,273	$ 50,334,481

See accompanying notes to financial statements.

ALBERTA LAW FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Unrestricted Net Assets	Future Year Grants	Internally Restricted Reserves Grant Stabilization	Strategic Reserve	Large Projects	2024 Total	2023 Total
Balance, beginning of year	$ 1,309,492	$ 2,788,284	$ 55,000,000	$ 58,000,000	$ –	$ 117,097,776	$ 66,763,295
Excess of revenue over expenses	109,900,273	–	–	–	–	109,900,273	50,334,481
Internally designated allocation to unrestricted (note 5)	2,788,284	(2,788,284)	–	–	–	–	–
Internally designated allocation from unrestricted (note 5)	(1,776,755)	1,776,755	–	–	–	–	–
Internally designated allocation (note 4)	(11,000,000)	–	11,000,000	–	–	–	–
Internally designated allocation (note 4)	(38,200,000)	–	–	38,200,000	–	–	–
Internally designated allocation (note 4)	(60,000,000)	–	–	–	60,000,000	–	–
Balance, end of year	$ 3,021,294	$ 1,776,755	$ 66,000,000	$ 96,200,000	$ 60,000,000	$ 226,998,049	$ 117,097,776

See accompanying notes to financial statements.

ALBERTA LAW FOUNDATION

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 109,900,273	$ 50,334,481
Items not involving cash:		
Change in unrealized (gain) loss on investments	(6,737,012)	891,989
Net realized (gain) loss on sale of investments (note 2)	(265,087)	138,346
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	40,777	32,482
Grants payable	1,932,513	4,581,504
Payable to Legal Aid Alberta	16,330,965	19,936,119
Interest receivable – lawyers' pooled trust accounts	(1,820,993)	(10,422,465)
Accrued interest – bank accounts	(304,009)	(40,517)
Prepaid expenses	1,479	(3,226)
	119,078,906	65,448,713
Investments:		
Purchase of investments	(101,853,449)	(100,833,706)
Proceeds from disposal of investments	50,644,115	44,955,808
	(51,209,334)	(55,877,898)
Increase in cash	67,869,572	9,570,815
Cash, beginning of year	12,635,974	3,065,159
Cash, end of year	$ 80,505,546	$ 12,635,974

See accompanying notes to financial statements.

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 traded in active 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.

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, 2024, the Foundation recognized interest receivable of $13,644,881 (2023 – $11,823,888) 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.

f) Grant Stabilization Reserve:

The Grant Stabilization Reserve represents amounts which are reserved for ensuring the stability of current grantee funding levels in future years, 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.

g) Strategic Reserve:

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

h) Large Projects Reserve:

The Large Projects Reserve represents amounts which are reserved for one-time, multi-million dollar projects or initiatives that are outside of the Foundation's regular granting processes and requires the approval of the Board of Directors prior to allocation.

1. Significant accounting policies (continued):

i) Future Year Grants Reserve:

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

j) Unrestricted Net Assets:

Unrestricted Net Assets represents 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 year. Significant items subject to such estimates and assumptions include the valuation of investments and provisions for impairment of interest receivable. Actual results could differ from these estimates.

2. Investments:

As at March 31, 2024, market values reflect unrealized gains or losses on certain investments. Included in investment income are realized losses from the sale of investments of $38,142 (2023 – $217,042) and realized gains from the sale of investments of $303,229 (2023 – $78,696).

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

2. Investments (continued):

	2024		2023	
	Cost	Fair value	Cost	Fair value
Cash held (trade due for settlement)	$ 11,615	$ 11,615	$ 42,985	$ 42,985
Money Market Fund	2,381,272	2,381,272	1,952,273	1,952,273
Short Term Bond Fund	67,499,888	66,788,295	47,881,194	46,343,100
Universe Bond Alpha Plus Fund	64,232,140	65,234,466	47,661,317	46,030,895
High Yield Bond Fund	19,575,805	19,095,556	14,259,732	13,308,510
Equity Income & Growth Fund	19,142,685	19,258,562	12,553,253	12,839,960
Global Equity Fund	15,669,017	18,169,245	12,687,247	12,209,855
	$ 188,512,422	$ 190,939,011	$ 137,038,001	$ 132,727,578

Investment income of $6,478,986 (2023 – $2,243,783) was earned during the year.

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 Reserves:

The Grant Stabilization Reserve, the Strategic Reserve and the Large Projects Reserve 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, 2024, the Board of Directors approved the transfers of $11,000,000 (2023 – $10,000,000) to the Grant Stabilization Reserve and $38,200,000 (2023 – $38,400,000) to the Strategic Reserve from Unrestricted Net Assets. A new reserve, Large Projects Reserve, was created by transferring $60,000,000 (2023 – $Nil) from Unrestricted Net Assets. These reserves are internally restricted and are in accordance with the internal reserves policy established by the Board of Directors.

5. Future Year Grants Reserve:

In the fiscal year ended March 31, 2024, grants in the amount of $2,788,284 (2023 – $1,161,348) were allocated and transferred from internally restricted reserve for Future Year Grants Reserve to Unrestricted Net Assets after conditions precedent were met in the year. In the fiscal year ended March 31, 2024, the Board of Directors designated the amount of $1,776,755 (2023 – $2,788,284) for grants to be allocated in future years if certain conditions are met.

6. Grants payable:

	2024	2023
Balance, beginning of year	$ 17,379,677	$ 12,798,173
Add:		
Operating grant allocations:		
Research and reform	2,280,384	2,067,088
Law libraries	1,370,000	1,316,500
Public legal education	1,744,672	1,308,112
Community, student and native legal programs	11,160,579	10,291,517
	16,555,635	14,983,217
Project grant allocations:		
Research and reform	233,384	339,683
Law libraries	354,040	–
Public legal education	1,271,500	224,584
Community, student and native legal programs	2,303,139	3,701,405
	4,162,063	4,265,672
Deduct:		
Allocations withdrawn from projects and programs:		
Public legal education	–	27,834
		27,834
Allocations paid:		
Research and reform	2,388,877	2,171,132
Law libraries	1,392,510	1,226,732
Public legal education	2,075,768	1,591,510
Community, student and native legal programs	12,928,030	9,650,177
	18,785,185	14,639,551
Balance, end of year	$ 19,312,190	$ 17,379,677

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, 2024 the Foundation recognized a contribution to LAA of $38,995,845 (2023 – $22,664,880) equal to the 25% required by the *Legal Profession Act*.

8. Commitment:

At March 31, 2024 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:

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, 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, interest receivable on lawyers' pooled trust accounts and accrued interest 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, interest receivable on lawyers' pooled trust accounts, 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.

9. Financial instruments (continued):

(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.