

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Financial Statements

Year Ended June 30, 2010

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

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Year Ended June 30, 2010

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AUDITORS' REPORT

To the Members of Legal Resource Centre of Alberta Ltd.

We have audited the statement of financial position of Legal Resource Centre of Alberta Ltd. as at June 30, 2010 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We were unable to satisfy ourselves with the completeness of deferred subscription revenues. Accordingly, our verification of these transactions were limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to the statement of operations and statement of financial position.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the opening balances and the sale's revenue, these financial statements present fairly, in all material respects the financial position of the company as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Bryan Mason & Company

Edmonton, Alberta
October 19, 2010

CHARTERED ACCOUNTANTS

LEGAL RESOURCE CENTRE OF ALBERTA LTD.**Statement of Operations****Year Ended June 30, 2010**

	2010	2009
REVENUES		
Alberta Law Foundation	\$ 629,192	\$ 564,624
Contracts and grants	781,027	800,864
Contributed equipment	4,541	5,944
Law Now sales	39,246	22,855
	<u>1,454,006</u>	<u>1,394,287</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion	22,310	12,033
Amortization	21,309	19,894
Bad debts	560	-
Board expenses	662	389
Computing	31,077	23,761
Consulting fees	216,722	192,201
Delivery, freight and express	9,679	11,935
Employee benefits	64,215	41,632
Insurance	4,407	4,132
Interest and bank charges	13,746	11,871
Meetings and conventions	1,944	2,753
Memberships	7,835	12,611
Office	16,135	6,091
Printing and copying	84,285	69,701
Professional fees	24,777	25,955
Rental	106,262	75,904
Salaries and wages	955,827	927,191
Staff development	2,752	2,014
Supplies	16,449	6,684
Telephone	19,006	15,847
Travel	24,070	28,943
Expense recoveries	(93,963)	(73,688)
	<u>1,550,066</u>	<u>1,417,854</u>
DEFICIENCY OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS	(96,060)	(23,567)
INTEREST INCOME	145	1,176
DEFICIENCY OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR	\$ (95,915)	\$ (22,391)

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

**Statement of Changes in Net Assets
Year Ended June 30, 2010**

		Unrestricted	Internally Restricted (Note 9)		Net Investment Capital Assets	Investment Fund	Total 2010	Total 2009
NET ASSETS - BEGINNING OF YEAR		\$ (33,888)	\$ 66,960	\$	24,002	\$ 489,048	\$ 546,122	\$ 600,694
Excess (deficiency) of revenues over expenses	U.1	20,459	850		(21,309)	\$ -		(22,391)
Excess (deficiency) of revenues over expenses	B.13					(522)	\$ (522)	
Amortization income from contributed furnishings	NN.2	(3,141)			3,141			
Current year net income/loss		(95,915)				\$ (95,915)		
Investment in capital assets						\$ -		\$ -
Contributed capital assets	NN.2	(1,400)			1,400	\$ -		\$ -
Investment fund net gain (Note 10)	AJE #47					12,381	\$ 12,381	(32,181)
Fund transfer	NN.4	67,810	(67,810)			\$ -		
Fund transfer	B.1	15,000				(15,000)	\$ -	
NET ASSETS - END OF YEAR		\$ (31,075)	\$ -	\$	7,234	\$ 485,907	\$ 462,066	\$ 546,122

		Unrestricted	Internally Restricted (Note 9)		Net Investment in Capital Assets	Investment Fund	Total 2009
NET ASSETS - BEGINNING OF PERIOD		\$ 33,437	\$ 21,943	\$	24,520	\$ 520,794	\$ 600,694
Excess (deficiency) of revenues over expenses	U.1	19,894			(19,894)	\$ -	\$ -
Amortization income from contributed furnishings	NN.2	(5,945)			5,945		
Current year net income/loss		(22,391)				\$ (22,391)	
Investment in capital assets	U.1		(13,431)		13,431		\$ -
Fund transfer	NN.4	(58,883)	58,448			435	\$ -
Investment fund net earnings						(32,181)	(32,181)
NET ASSETS - END OF PERIOD		\$ (33,888)	\$ 66,960	\$	24,002	\$ 489,048	\$ 546,122

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Financial Position

June 30, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 58,286	\$ 697
Investments (Note 3)	483,607	553,263
Interest receivable	2,822	3,459
Accounts receivable	72,181	177,857
Goods and services tax recoverable	18,320	23,017
Prepaid expenses	21,694	29,220
	<u>656,910</u>	<u>787,513</u>
CAPITAL ASSETS (Note 4)	<u>12,615</u>	<u>32,523</u>
	<u>\$ 669,525</u>	<u>\$ 820,036</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Revolving demand loan (Note 5)	\$ 35,000	\$ 110,000
Accounts payable	32,656	27,586
Management fees payable	522	-
Wages payable	36,668	53,954
Deferred contributions (Note 6)	64,261	51,058
Current portion of deferred equipment contributions (Note 8)	4,541	4,261
Current portion of deferred rent subsidy (Note 7)	20,824	15,554
	<u>194,472</u>	<u>262,413</u>
DEFERRED EQUIPMENT CONTRIBUTIONS (Note 8)	840	4,261
DEFERRED RENT SUBSIDY GRANT (Note 7)	<u>12,147</u>	<u>7,240</u>
	<u>207,459</u>	<u>273,914</u>
NET ASSETS		
Unrestricted	(31,075)	(33,888)
Internally restricted (Note 9)	-	66,960
Net investment in capital assets	7,234	24,002
Investment fund	485,907	489,048
	<u>462,066</u>	<u>546,122</u>
	<u>\$ 669,525</u>	<u>\$ 820,036</u>

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

1. DESCRIPTION OF BUSINESS

The Legal Resource Centre of Alberta Ltd. was incorporated under the Companies Act of the Province of Alberta May 12, 1975 as a non-profit company with the mandate "to contribute to, advance and promote the legal knowledge and education of the people of Canada." It was registered as a charity in 1977 and subscribes to *Imagine Canada's Ethical Fundraising and Financial Accountability Code*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

- a) The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions for expenses that will be incurred in future periods are deferred and recognized in the period in which the related expenses are incurred.
- b) Capital asset contributions are deferred and amortized into revenue on the same basis that the capital asset contributed is amortized.
- c) All other revenues are recognized when services are rendered.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods with current year additions subject to a half year rule whereby only 50% of the available amortization is taken:

Computer equipment	3 years	straight-line method
Computer software	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method

The Association regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of the capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Leasehold inducements

Leasehold inducements, including rent-free periods or rent subsidies received from non-related third parties, are amortized on a straight-line basis over the term of the lease and recorded as a reduction of rent expense.

Donated services

Donated services are recorded at fair value when they would normally be purchased by the Association and when fair value can be estimated for the services. If fair value cannot be reasonably estimated, the services are not recorded. There were \$nil (2009 - \$nil) donated services recorded in the financial statements.

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LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

In addition, the allocation of revenues and expenses to certain projects and fund are subject to measurement uncertainty and are based the terms on management's best information and judgment. Actual results could differ from these estimates.

Allocated expenses include all general and administrative expenses. Allocations are determined by the Executive Director, based on review of the expenses and their relation to each project. Current year cash receipts still subject to subsequent expense allocations, for proper revenue recognition purposes, are disclosed in Note 6.

Financial Instruments

The Association's financial instruments consist of cash, investments, interest receivable, accounts receivable, bank indebtedness, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The Association classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Association's accounting policy for each category is as follows:

a) Loans and receivables - these assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are included in the amount initially recognized

b) Held for trading - this category is comprised of cash and investments. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

c) Other financial liabilities - other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises of trade payables and other short-term monetary liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

3. INVESTMENTS

The following balances are included in the investments:

	June 30, 2010		June 30, 2009	
	Cost	Carrying value	Cost	Carrying value
Due from broker	\$ 5,251	\$ 5,251	\$ 2,251	\$ 2,251
Marketable securities and fixed income	470,694	478,356	486,193	483,337
Term deposits	-	-	67,675	67,675
	\$ 475,945	\$ 483,607	\$ 556,119	\$ 553,263

Included in the above marketable securities and fixed income, \$483,607 (2009 - \$485,588) is directly held for the investment fund.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2010	2009
			Net book value	Net book value
Computer equipment	\$ 29,385	\$ 24,837	\$ 4,548	\$ 13,286
Computer software	3,103	1,551	1,552	2,586
Furniture and fixtures	35,309	28,794	6,515	16,651
	\$ 67,797	\$ 55,182	\$ 12,615	\$ 32,523

During the year \$1,400 (2009 - \$nil) of capital assets were contributed and \$nil (2009 - \$13,431) of capital assets were purchased with cash.

5. REVOLVING DEMAND LOAN

The Association has a \$350,000 revolving demand facility to finance the operation of a contract the Association obtained with Canada Revenue Agency. The loan revolves in increments of \$5,000 with interest payable monthly at a rate of prime + 1.0% per annum. At year end, there was \$35,000 (2009 - \$110,000) drawn against this facility. A change of +/- 1% would result in a change of interest expense of \$350 (\$35,000 x 1%).

The Association also has a credit card facility to a maximum of \$25,000. At year end, there was \$2,178 (2009 - \$5,729) of credit card payables included in accounts payable.

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

6. DEFERRED CONTRIBUTIONS

Contributions that are restricted to funding specific expenses are deferred and amortized into income as the related expenses are incurred.

	Balance, beginning of the year	Restricted Contributions	Amortized to operations	Balance, end of the year
ACJNET Special Projects	\$ -	\$ 48,700	\$ 37,659	\$ 11,041
Alberta Law Foundation funding	26,533	39,000	65,533	-
Sandra Garvie Memorial Fund	7,680	-	853	6,827
Justice Canada	-	36,158	8,650	27,508
Alberta Real Estate Foundation - Landlord and Tenant	1,984	64,374	62,334	4,024
Youth Justice Education Partnership	14,861	-	-	14,861
	<u>\$ 51,058</u>	<u>\$ 188,232</u>	<u>\$ 175,029</u>	<u>\$ 64,261</u>

7. DEFERRED RENT SUBSIDY GRANT

	<u>2010</u>	<u>2009</u>
Rent subsidy received	\$ 50,000	\$ 25,000
Accumulated amortization	<u>(17,029)</u>	<u>(2,206)</u>
Unamortized rent subsidy available for subsequent years	<u>32,971</u>	<u>22,794</u>
Current portion of Unamortized rent subsidy	\$ <u>20,824</u>	\$ <u>15,554</u>
Longterm portion of Unamortized rent subsidy	\$ <u>12,147</u>	\$ <u>7,240</u>

8. DEFERRED CAPITAL ASSET CONTRIBUTIONS

	<u>2010</u>	<u>2009</u>
Contributed office furnishings		
Cost	\$ 21,303	\$ 21,303
Current year additions	1,400	-
Accumulated amortization	<u>(17,322)</u>	<u>(12,782)</u>
Net book value	<u>5,381</u>	<u>8,521</u>
Current portion of contributed office furnishings	\$ <u>4,541</u>	\$ <u>4,260</u>
Longterm portion of contributed office furnishings	\$ <u>840</u>	\$ <u>4,261</u>

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LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

8. DEFERRED CAPITAL ASSET CONTRIBUTIONS *(continued)*

Contributed computer equipment		
Cost	-	5,050
Accumulated amortization	-	(5,050)
	<hr/>	<hr/>
Net book value	-	-
	<hr/>	<hr/>
Grand total	\$ 5,381	\$ 8,521
	<hr/>	<hr/>

9. INTERNALLY RESTRICTED NET ASSETS

These internally restricted amounts are not available without the approval by the Board of Directors. During the year, the Board posed a motion to remove the restriction to allow for greater access to funds for general operations.

	Contingency Reserve	Expendable fund for purchase of equipment	Total
	<hr/>	<hr/>	<hr/>
Opening balance	\$ 66,960	\$ -	\$ 66,960
Interest earned	850	-	850
Transfers to the general fund	(67,810)	-	(67,810)
	<hr/>	<hr/>	<hr/>
	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

10. INVESTMENT FUND

In 2007, an investment fund which had been established by the University of Alberta for the sole benefit of the Legal Resource Centre was transferred as part of an asset agreement. The transfer of trustee was granted March 30, 2007 through the Court of Queens's Bench. The University transferred cash totaling \$542,734. This included the principle of \$512,841 and expendable funds of \$29,893 for the purchase of capital assets. The funds were invested in short term deposits until the Board of Directors approved an investment plan. At that time, \$514,738 was invested as a restricted investment fund with interest to be used for the purchase of capital equipment or furnishings.

In addition to the investment transfer from the University of Alberta, furnishings were also transferred. These items were previously purchased by the Association when it was a part of the University of Alberta in prior years.

The income and expenses charged to the investment fund are as follows:

	<u>2010</u>	<u>2009</u>
Interest income	\$ 9,068	\$ 12,423
Dividends	7,454	7,273
Total revenue	16,522	19,696
Realized loss on disposal of investments	(5,268)	(38,650)
Unrealized loss on adjustment to fair market values	7,516	(6,879)
Management brokerage fees	(6,389)	(6,348)
Investment net earnings (loss)	<u>\$ 12,381</u>	<u>\$ (32,181)</u>

11. UNDERFUNDED POSITION OF RESTRICTED FUNDS

	<u>2010</u>	<u>2009</u>
Cash	\$ 58,286	\$ 697
Short term investments	483,607	553,263
Interest receivable	2,822	3,459
Subtotal	544,715	557,419
Deferred contributions	(64,261)	(51,058)
Investment fund	(485,907)	(489,048)
Internally restricted	-	(66,960)
Underfunded position	<u>\$ (5,453)</u>	<u>\$ (49,647)</u>

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

12. LEASE OBLIGATION

The Association has commitments for long-term leases of its office premises and office equipment. The monthly rent cost includes amounts for common area costs. Future minimum lease payments as at year end are as follows:

Repayment schedule:

2011	\$	107,951
2012		66,254
2013		7,060
2014		7,060
		<u>7,060</u>
	\$	<u>188,325</u>

13. ECONOMIC DEPENDENCE

The Alberta Law Foundation provides core funding that supports the overall administrative functions of the Association and also enables the Association to maintain a variety of public services. During the year, the Association received 43% (2009 - 40%) of its operating revenue from the Alberta Law Foundation, and 47% (2009 - 38%) from three (2009 - two) contracts with the Canada Revenue Agency.

14. STATEMENT OF CASH FLOWS

A statement of cash flows has been omitted as it would not provide additional meaningful information not readily determinable from other financial information provided.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
