

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Financial Statements

Year Ended June 30, 2011

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Index to Financial Statements

Year Ended June 30, 2011

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Financial Position	4
Notes to Financial Statements	5 - 10

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, 2011 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, 2011 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 18, 2011

CHARTERED ACCOUNTANTS

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Operations

Year Ended June 30, 2011

	2011	2010
REVENUES		
Alberta Law Foundation	\$ 623,513	\$ 629,192
Contracts and grants	613,415	781,027
Contributed equipment	4,781	4,541
Law Now sales	18,973	39,246
	<u>1,260,682</u>	<u>1,454,006</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting fees	14,903	14,584
Advertising and promotion	1,715	22,310
Amortization	9,995	21,309
Bad debts	-	560
Board expenses	616	662
Computing	34,969	31,077
Consulting fees	119,923	216,722
Delivery, freight and express	16,268	9,679
Employee benefits	48,013	64,215
Insurance	4,545	4,407
Interest and bank charges	9,382	13,747
Legal fees	2,405	10,192
Meetings and conventions	753	1,944
Memberships	10,224	7,835
Office	19,665	16,135
Printing and copying	90,115	84,285
Rental (Note 8)	88,010	96,839
Repairs and maintenance	7,720	9,423
Salaries and wages	772,648	955,827
Staff development	2,995	2,752
Supplies	14,417	16,449
Telephone	15,572	19,006
Travel	18,326	24,070
Expense recoveries	(59,298)	(93,963)
	<u>1,243,881</u>	<u>1,550,066</u>
DEFICIENCY OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>16,801</u>	<u>(96,060)</u>
Contributions	1,074	-
Interest income	-	145
Loss on disposal of capital assets	(333)	-
	<u>741</u>	<u>145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR	<u>\$ 17,542</u>	<u>\$ (95,915)</u>

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

**Statement of Changes in Net Assets
Year Ended June 30, 2011**

	Unrestricted	Net Investment Capital Assets	Investment Fund	Total	
				2011	2010
NET ASSETS - BEGINNING OF YEAR	\$ (31,075)	\$ 7,234	\$ 485,907	\$ 462,066	\$ 546,122
Amortization of capital assets	9,995	(9,995)	-	-	-
Change in investment management fee payable	-	-	-	-	(522)
Amortization income from contributed furnishings	(4,780)	4,780	-	-	-
Current year net income (loss)	17,542	-	-	17,542	(95,915)
Investment in capital assets	(7,774)	7,774	-	-	-
Contributed capital assets	-	-	-	-	-
Investment fund net gain (Note 11)	-	-	31,687	31,687	12,381
Fund transfer	10,000	-	(10,000)	-	-
NET ASSETS - END OF YEAR	\$ (6,092)	\$ 9,793	\$ 507,594	\$ 511,295	\$ 462,066

	Unrestricted	Internally Restricted	Net Investment Capital Assets	Investment Fund	Total	
					2010	2009
NET ASSETS - BEGINNING OF YEAR	\$ (33,888)	\$ 66,960	\$ 24,002	\$ 489,048	\$ 546,122	\$ 600,694
Excess (deficiency) of revenues over expenses	20,459	850	(21,309)	-	-	(22,391)
Change in investment management fee payable	-	-	-	(522)	(522)	-
Amortization income from contributed furnishings	(3,141)	-	3,141	-	-	-
Current year net income (loss)	(95,915)	-	-	-	(95,915)	-
Investment in capital assets	-	-	-	-	-	-
Contributed capital assets	(1,400)	-	1,400	-	-	-
Investment fund net gain (Note 11)	-	-	-	12,381	12,381	(32,181)
Fund transfer	67,810	(67,810)	-	-	-	-
Fund transfer	15,000	-	-	(15,000)	-	-
NET ASSETS - END OF YEAR	\$ (31,075)	\$ -	\$ 7,234	\$ 485,907	\$ 462,066	\$ 546,122

See notes to the financial statements

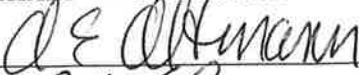
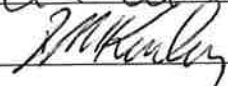
LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Financial Position

June 30, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	\$ 61,597	\$ 58,286
Investments (Note 4)	506,608	483,607
Interest receivable	1,509	2,822
Accounts receivable	113,853	72,181
Goods and services tax recoverable	11,072	18,320
Prepaid expenses	21,702	21,694
	<u>716,341</u>	<u>656,910</u>
CAPITAL ASSETS (Note 5)	<u>10,393</u>	<u>12,615</u>
	<u>\$ 726,734</u>	<u>\$ 669,525</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Revolving demand loan (Note 6)	\$ 100,000	\$ 35,000
Accounts payable	30,381	32,656
Management fees payable	547	522
Wages payable	32,655	36,668
Deferred contributions (Note 7)	39,133	64,261
Current portion of deferred equipment contributions (Note 10)	200	4,541
Current portion of deferred rent subsidy (Note 9)	12,147	20,824
	<u>215,063</u>	<u>194,472</u>
DEFERRED EQUIPMENT CONTRIBUTIONS (Note 10)	400	840
DEFERRED RENT SUBSIDY GRANT (Note 9)	-	12,147
	<u>215,463</u>	<u>207,459</u>
NET ASSETS		
Unrestricted	(6,092)	(31,075)
Net investment in capital assets	9,793	7,234
Investment fund	507,570	485,907
	<u>511,271</u>	<u>462,066</u>
	<u>\$ 726,734</u>	<u>\$ 669,525</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, 2011

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 Association 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 (2010 - \$nil) donated services recorded in the financial statements.

(continues)

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2011

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 funds are subject to measurement uncertainty and are based 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, 2011

3. FUTURE ACCOUNTING STANDARDS

In November 2010, the CICA Accounting Standards Board ("AcSB") approved the final accounting standards update for not-for-profit organizations in Canada. For not-for-profit organizations not subject to the CICA Public Sector Accounting Handbook, the standards give the organizations the ability to adopt the 4400 series of Handbook sections, being Part III, with reference to standards for not-for-profit organization when appropriate, or International Financial Reporting Standards ("IFRS"). Not-for-profit organizations must decide which of the sets of standards to adopt for years beginning on or after January 1, 2012. The Association will be adopting the 4400 series of Handbook sections for the fiscal year ending June 30, 2013 with no early adoption prior to that date. The Association does not anticipate any significant changes to its financial statements due to the adoption of section 4400.

4. INVESTMENTS

The following balances are included in the investments:

	June 30, 2011		June 30, 2010	
	Cost	Carrying value	Cost	Carrying value
Due from broker	\$ 25,690	\$ 25,690	\$ 5,251	\$ 5,251
Marketable securities and fixed income	429,601	480,918	470,694	478,356
	\$ 455,291	\$ 506,608	\$ 475,945	\$ 483,607

Included in the above marketable securities and fixed income, \$506,608 (2010 - \$483,607) is directly held for the investment fund.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2011	2010
			Net book value	Net book value
Computer equipment	\$ 37,492	\$ 29,854	\$ 7,638	\$ 4,548
Computer software	3,103	2,586	517	1,552
Furniture and fixtures	34,909	32,671	2,238	6,515
	\$ 75,504	\$ 65,111	\$ 10,393	\$ 12,615

During the year \$nil (2010 - \$1,400) of capital assets were contributed and \$8,107 (2010 - \$nil) of capital assets were purchased with cash.

6. REVOLVING DEMAND LOAN

The Association has a \$250,000 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 + 3.30% per annum. At year end, there was \$100,000 (2010 - \$35,000) drawn against this facility. A change of +/- 1% would result in a change of interest expense of \$1,000 (\$100,000 x 1%).

The Association also has a credit card facility to a maximum of \$35,000. At year end, there was \$4,006 (2010 - \$2,178) of credit card payables included in accounts payable.

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2011

7. 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	\$ 11,041	\$ 48,000	\$ 59,041	\$ -
Sandra Garvie Memorial Fund	6,827	-	1,127	5,700
The Muttart Foundation	-	50,000	25,218	24,782
Justice Canada	27,508	51,342	77,815	1,035
AREF Landlord and Tenant	4,024	64,174	63,705	4,493
Youth Justice Education Partnership	14,861	-	14,861	-
Rules of Court	-	20,000	16,877	3,123
	\$ 64,261	\$ 233,516	\$ 258,644	\$ 39,133

Funding of \$50,000 from The Muttart Foundation was received in the current year. These funds are not restricted and are for the 2011/2012 calendar year. Although, the funds are not restricted, they are being applied to various expenses as per the Executive Director.

8. RENTAL

The association received a \$25,000 grant in 2009 from the Muttart Foundation to be used specifically as rent subsidy. In addition, another \$25,000 grant was received in 2010, also for rent subsidy. EIC-21 specifically states that all reimbursement of rental costs must be accounted for as a reduction of rent expense over the life of the lease. Therefore, the rent expense includes a reduction for the rent subsidy amortization:

	2011	2010
Rent expense	\$ 108,834	\$ 111,663
Rent subsidy amortization	(20,824)	(14,824)
	\$ 88,010	\$ 96,839

9. DEFERRED RENT SUBSIDY GRANT

	2011	2010
Rent subsidy received	\$ 50,000	\$ 50,000
Accumulated amortization	(37,853)	(17,029)
Unamortized rent subsidy available for subsequent years	12,147	32,971
Current portion of unamortized rent subsidy	\$ 12,147	\$ 20,824
Long term portion of unamortized rent subsidy	\$ -	\$ 12,147

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2011

10. DEFERRED CAPITAL ASSET CONTRIBUTIONS

	2011	2010
Contributed office furnishings		
Cost	\$ 22,703	\$ 21,303
Current year additions	-	1,400
Accumulated amortization	(22,103)	(17,322)
Net book value	600	5,381
Current portion of contributed office furnishings	\$ 200	\$ 4,541
Long term portion of contributed office furnishings	\$ 400	\$ 840
Grand total	\$ 5,381	\$ 8,521

11. 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:

	2011	2010
Interest income	\$ 8,034	\$ 9,068
Dividends	6,997	7,454
Total revenue	15,031	16,522
Realized loss on disposal of investments	60	(5,268)
Unrealized loss on adjustment to fair market values	23,216	7,516
Management brokerage fees	(6,620)	(6,389)
Investment net earnings (loss)	\$ 31,687	\$ 12,381

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2011

12. OVERALL FUNDED (UNDERFUNDED) POSITION OF RESTRICTED FUNDS

	<u>2011</u>	<u>2010</u>
Cash	\$ 61,597	\$ 58,286
Short term investments	506,608	483,607
Interest receivable	<u>1,509</u>	<u>2,822</u>
Subtotal	569,714	544,715
Deferred contributions	(39,133)	(64,261)
Investment fund	<u>(507,570)</u>	<u>(485,907)</u>
Overall funded (underfunded) position	<u>\$ 23,011</u>	<u>\$ (5,453)</u>

13. 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:

2012	\$ 66,254
2013	7,060
2014	<u>7,060</u>
	<u>\$ 80,374</u>

14. 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 48% (2010 - 43%) of its operating revenue from the Alberta Law Foundation, and 33% (2010 - 47%) from one (2010 - three) contracts with the Canada Revenue Agency.

15. 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.

16. COMPARATIVE FIGURES

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