

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Index to Financial Statements

Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Legal Resource Centre of Alberta Ltd.

We have audited the accompanying financial statements of Legal Resource Centre of Alberta Ltd., which are comprised of the statement of financial position as at June 30, 2013, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continues)

Independent Auditor's Report to the Directors of Legal Resource Centre of Alberta Ltd. *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Resource Centre of Alberta Ltd. as at June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit.

Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes that Legal Resource Centre of Alberta Ltd. adopted Canadian accounting standards for not-for-profit on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial positions as at June 30, 2012 and the statements of operations, changes in net assets and cash flows for the year ended June 30, 2012 and related disclosures.

Bryan Mason & Company

Edmonton, Alberta
August 21, 2013

CHARTERED ACCOUNTANTS

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Operations

Year Ended June 30, 2013

	2013	2012
REVENUES		
Alberta Law Foundation <i>(Note 17)</i>	\$ 774,463	\$ 685,107
Contracts and grants	383,989	527,503
Miscellaneous	3,957	10,524
	<u>1,162,409</u>	<u>1,223,134</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting fees <i>(Note 15)</i>	19,206	20,130
Advertising and promotion	5,398	9,526
Amortization	5,817	6,437
Board expenses	381	438
Computing	28,583	26,719
Consulting fees	21,718	61,416
Delivery, freight and express	4,507	8,243
Honorariums	1,650	1,150
Insurance	4,089	4,648
Interest and bank charges	6,006	10,437
Legal fees	160	8,041
Overhead fees	13,270	61,911
Memberships	11,167	10,211
Office	15,518	27,442
Parking expenses <i>(Note 16)</i>	-	485
Printing and copying	41,737	48,085
Rental <i>(Note 8)</i>	136,630	113,966
Salaries and wages	848,088	848,342
Staff development	2,067	5,335
Telephone	7,884	10,519
Travel	9,567	17,206
	<u>1,183,443</u>	<u>1,300,687</u>
DEFICIENCY OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>(21,034)</u>	<u>(77,553)</u>
Contributions	400	300
Expense recoveries	7,570	60,411
Interest income	1,032	-
	<u>9,002</u>	<u>60,711</u>
DEFICIENCY OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR	<u>\$ (12,032)</u>	<u>\$ (16,842)</u>

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

**Statement of Changes in Net Assets
Year Ended June 30, 2013**

	Unrestricted	Net Investment	Investment	F and E	Total	
		Capital Assets	Fund	Fund	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ (14,900)	\$ 9,759	\$ 486,709	\$ -	\$ 481,568	\$ 511,271
Amortization of capital assets	5,817	(5,817)	-	-	-	-
Internally restricted expenses	4,765	-	-	(4,765)	-	-
Amortization income from contributed furnishings	(400)	400	-	-	-	-
Current year net income (loss)	(12,032)	-	-	-	(12,032)	(16,842)
Investment in capital assets	-	2,063	-	(2,063)	-	-
Contributed capital assets	-	-	-	-	-	-
Non-recoverable GST	52	-	-	(52)	-	-
Investment fund net gain (loss) (Note 10)	-	-	14,408	-	14,408	(12,861)
Fund transfer	-	-	(10,000)	10,000	-	-
NET ASSETS - END OF YEAR	\$ (16,698)	\$ 6,405	\$ 491,117	\$ 3,120	\$ 483,944	\$ 481,568

	Unrestricted	Net Investment	Investment	F and E	Total	
		Capital Assets	Fund	Fund	2012	2011
NET ASSETS - BEGINNING OF YEAR	\$ (6,092)	\$ 9,793	\$ 507,570	\$ -	\$ 511,271	\$ 462,066
Amortization of capital assets	6,437	(6,437)	-	-	-	-
Change in investment management fee payable	-	-	-	-	-	-
Amortization income from contributed furnishings	(200)	200	-	-	-	-
Current year net income (loss)	(16,842)	-	-	-	(16,842)	17,542
Investment in capital assets	(6,203)	6,203	-	-	-	-
Contributed capital assets	-	-	-	-	-	-
Investment fund net gain (Note 10)	-	-	(12,861)	-	(12,861)	31,663
Fund transfer	8,000	-	(8,000)	-	-	-
NET ASSETS - END OF YEAR	\$ (14,900)	\$ 9,759	\$ 486,709	\$ -	\$ 481,568	\$ 511,271

See notes to the financial statements

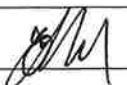
LEGAL RESOURCE CENTRE OF ALBERTA LTD.


Statement of Financial Position

June 30, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 144,991	\$ 136,828
Investments (Note 4)	641,291	486,259
Interest receivable	1,052	793
Accounts receivable	16,364	30,164
Goods and services tax recoverable	8,432	19,809
Prepaid expenses	19,945	19,365
	<u>832,075</u>	<u>693,218</u>
CAPITAL ASSETS (Note 5)	<u>6,405</u>	<u>10,160</u>
	<u>\$ 838,480</u>	<u>\$ 703,378</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Revolving demand loan (Note 6)	\$ -	\$ 5,000
Accounts payable	19,916	22,014
Management fees payable	516	511
Wages payable	40,640	48,210
Deferred contributions (Note 7)	269,687	132,308
Current portion of leasehold inducement (Note 14)	6,071	2,719
Current portion of deferred equipment contributions (Note 9)	-	200
	<u>336,830</u>	<u>210,962</u>
DEFERRED EQUIPMENT CONTRIBUTIONS (Note 9)	-	200
LEASEHOLD INDUCEMENTS (Note 14)	<u>17,706</u>	<u>10,648</u>
	<u>354,536</u>	<u>221,810</u>
NET ASSETS		
Unrestricted	(16,698)	(14,900)
Furniture and equipment fund (Note 11)	3,120	-
Net investment in capital assets	6,405	9,759
Investment fund	491,117	486,709
	<u>483,944</u>	<u>481,568</u>
	<u>\$ 838,480</u>	<u>\$ 703,378</u>

ON BEHALF OF THE BOARD

 Director

 Director

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2013

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the company adopted accounting standards for not-for-profit organizations and the 4400 series Handbook sections. These financial statements are the first prepared in accordance with these standards. There are no changes being applied retrospectively

2. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

- a) The company 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 company 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.

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LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2013

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

Donated services

Donated services are recorded at fair value when they would normally be purchased by the company 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 (2012 - nil) donated services recorded in the financial statements.

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 7.

Financial Instruments

The company's financial instruments consist of cash, investments, interest receivable, accounts receivable, bank indebtedness and accounts payable. Unless otherwise noted, it is management's opinion that the company 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 company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The company'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 and Note 10. 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 and long-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 Financial Statements

Year Ended June 30, 2013

4. INVESTMENTS

The following balances are included in the investments:

	2013		2012	
	Cost	Carrying value	Cost	Carrying value
Due from broker	\$ 1,944	\$ 1,944	\$ 1,370	\$ 1,370
Marketable securities and fixed income	473,499	488,569	477,990	484,889
Term deposits	150,778	150,778	-	-
	\$ 626,221	\$ 641,291	\$ 479,360	\$ 486,259

Included in the above marketable securities and fixed income, \$490,513 (2012 - \$486,259) is directly held for the investment fund.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2013	2012
			Net book value	Net book value
Computer equipment	\$ 43,097	\$ 37,895	\$ 5,202	\$ 8,481
Computer software	4,092	3,122	970	742
Furniture and fixtures	34,909	34,676	233	937
	\$ 82,098	\$ 75,693	\$ 6,405	\$ 10,160

During the year, nil (2012 - nil) of capital assets were contributed and \$2,063 (2012 - \$6,203) of capital assets were purchased with cash. While the balance change in contributed capital assets was nil, the University of Alberta contributed four obsolete computers to the company. As there was no change in value, the assets were not recorded.

6. REVOLVING DEMAND LOAN

The revolving demand loan of nil (2012 - \$5,000) was as a result of a contract held in fiscal 2012. The revolving line of credit was \$250,000 and was secured by the company investments (Note 4). Neither the line of credit nor the related security are in place for fiscal 2013.

The company also has a credit card facility to a maximum of \$8,000 (2012 - \$35,000). At year end, there was \$901 (2012 - \$2,443) of credit card payables included in accounts payable.

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2013

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
LawNow	\$ -	\$ 55,457	\$ 55,434	\$ 23
Family Law	-	14,500	11,070	3,430
New Horizons for Seniors	-	282,433	77,597	204,836
Human Rights Education and Multiculturalism	-	20,000	12,800	7,200
Homeward Trust	-	7,000	5,029	1,971
Sandra Garvie Memorial Fund	4,949	-	4,949	-
The Muttart Foundation	15,917	-	15,917	-
Justice Canada	-	25,000	21,996	3,004
Status of Women	63,519	-	45,674	17,845
Youth PLE	36,293	106,000	110,915	31,378
Justice Canada Language Project	11,630	48,080	59,710	-
	<u>\$ 132,308</u>	<u>\$ 558,470</u>	<u>\$ 421,091</u>	<u>\$ 269,687</u>

8. RENTAL

The company 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 and was applied to the Solar Court lease. ASNPO 3065.27 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 and was fully amortized in 2012. The new property, Ironwood, offered leasehold inducements discussed in Note 14 that are amortized over the life of the lease.

	2013	2012
Rent expense	\$ 133,885	\$ 119,871
Rent subsidy amortization	-	(12,147)
Cleaning	6,720	7,260
Lease inducement amortization	(3,975)	(1,018)
	<u>\$ 136,630</u>	<u>\$ 113,966</u>

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2013

9. DEFERRED CAPITAL ASSET CONTRIBUTIONS

	2013	2012
Contributed office furnishings		
Cost	\$ 22,703	\$ 22,703
Accumulated amortization	(22,703)	(22,303)
Net book value	\$ -	\$ 400
Current portion of contributed office furnishings	\$ -	\$ 200
Long term portion of contributed office furnishings	-	200
Total	\$ -	\$ 400

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.

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

	2013	2012
Interest income	\$ 4,848	\$ 6,351
Dividends	8,382	8,307
Total revenue	13,230	14,658
Realized gain (loss) on disposal of investments	(2,667)	(18)
Unrealized gain (loss) on adjustment to fair market values	10,232	(20,971)
Management brokerage fees	(6,387)	(6,530)
Investment net earnings (loss)	\$ 14,408	\$ (12,861)

11. FURNITURE AND EQUIPMENT FUND

The furniture and equipment fund tracks specific expenses against the amounts which are transferred from the investment fund upon approval by the Board. This provides the Board with a clear picture of how the fund is being spent and enables them to ensure the expenses are consistent with policy.

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2013

12. OVERALL FUNDED (UNDERFUNDED) POSITION OF RESTRICTED FUNDS

	2013	2012
Cash	\$ 144,991	\$ 136,828
Short term investments	641,291	486,259
Interest receivable	1,052	793
Subtotal	787,334	623,880
Deferred contributions	(269,687)	(132,308)
Investment fund	(491,117)	(486,709)
Internally restricted - Furniture and equipment fund	(3,120)	-
Overall funded (underfunded) position	\$ 23,410	\$ 4,863

13. LEASE OBLIGATION

The company has commitments for long term leases of its office premises and office equipment. Future minimum lease payments, which includes estimated operating costs of the office space as at year end, are as follows:

Repayment schedule:

2014		\$ 149,281
2015		141,820
2016		141,820
2017		130,002
		\$ 562,923

14. LEASE INDUCEMENTS

The company received a leasehold inducement of a rent-free inducement of \$14,385 for the Ironwood premises in 2012 and an additional \$14,385 inducement in 2013. ASNPO 3065.27 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 lease inducement amortization:

	2013	2012
Gross leasehold inducement non-cash receipts/rent-free periods received in 2013	\$ 13,367	\$ -
Gross leasehold inducement non-cash receipts/rent-free periods received in 2012	14,385	14,385
Current year amortization	(3,975)	(1,018)
Total	\$ 23,777	\$ 13,367
Current portion of leasehold inducements	\$ 6,071	\$ 2,719
Long term portion of leasehold inducement	17,706	10,648
	\$ 23,777	\$ 13,367

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2013

15. AUDIT FEES

The accounting fees of \$19,206 includes the 2013 audit fee of \$16,677.

16. PARKING EXPENSES

The company rents parking spaces from its landlord, Ironwood, as a service for its employees. The employees pay for the parking spaces through deductions from payroll. In 2012, the amounts did not net because extra stalls had been designated but not assigned for a duration of three months.

	2013	2012
Parking cost recovery	\$ (12,480)	\$ (5,698)
Parking space expense	12,480	6,183
	<u>\$ -</u>	<u>\$ 485</u>

17. ECONOMIC DEPENDENCE

The Alberta Law Foundation provides funding which supports the development and maintenance of a variety of public services, programs and projects. During the year, the company received 67% (2012 - 56%) of its operating revenue from the Alberta Law Foundation. A variety of funders provided 33% of the funding.

18. 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.

19. COMPARATIVE FIGURES

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