

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Financial Statements

Year Ended June 30, 2012

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

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Year Ended June 30, 2012

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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 comprise the statement of financial position as at June 30, 2012, 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 generally accepted accounting principles, 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 qualified audit opinion.

Basis for Qualified Opinion

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

(continues)

Qualified Opinion

In our opinion, except for the effect 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, referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Legal Resource Centre of Alberta Ltd. as at June 30, 2012 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Bryan Mason & Company

Edmonton, Alberta
October 30, 2012

CHARTERED ACCOUNTANTS

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Operations

Year Ended June 30, 2012

	2012	2011
REVENUES		
Alberta Law Foundation <i>(Note 15)</i>	\$ 685,107	\$ 623,513
Contracts and grants	527,503	671,813
Contributed equipment	-	4,781
Law Now sales	10,524	18,973
	<u>1,223,134</u>	<u>1,319,080</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting fees	20,130	14,903
Advertising and promotion	9,526	1,715
Amortization	6,437	9,995
Board expenses	438	616
Computing	26,719	34,969
Consulting fees	68,861	119,923
Delivery, freight and express	8,243	16,268
Honorariums	1,150	-
Employee benefits	37,804	48,013
Insurance	4,648	4,545
Interest and bank charges	10,436	9,382
Legal fees	8,041	2,405
Overhead fees	61,911	58,398
Meetings and conventions	5,078	753
Memberships	2,766	10,224
Office	15,431	19,665
Printing and copying	48,085	90,115
Rental <i>(Note 8)</i>	107,191	88,010
Repairs and maintenance	7,260	7,720
Salaries and wages	810,539	772,648
Staff development	5,335	2,995
Supplies	6,933	14,417
Telephone	10,519	15,572
Travel	17,206	18,326
	<u>1,300,687</u>	<u>1,361,577</u>
DEFICIENCY OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>(77,553)</u>	<u>(42,497)</u>
Contributions	300	1,074
Expense recoveries	60,411	59,298
Loss on disposal of capital assets	-	(333)
	<u>60,711</u>	<u>60,039</u>
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR	<u>\$ (16,842)</u>	<u>\$ 17,542</u>

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Changes in Net Assets Year Ended June 30, 2012

	Unrestricted	Net Investment	Investment	Total	
		Capital Assets	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 (loss) <i>(Note 11)</i>	-	-	(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

	Unrestricted	Net Investment	Investment	Total	
		Capital Assets	Fund	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 <i>(Note 11)</i>	-	-	31,663	31,663	12,381
Fund transfer	10,000	-	(10,000)	-	-
NET ASSETS - END OF YEAR	\$ (6,092)	\$ 9,793	\$ 507,570	\$ 511,271	\$ 462,066

See notes to the financial statements



LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Financial Position

June 30, 2012

	2012	2011
ASSETS		
CURRENT		
Cash	\$ 136,828	\$ 61,597
Investments (Note 4)	486,259	506,608
Interest receivable	793	1,509
Accounts receivable	30,164	113,853
Goods and services tax recoverable	19,809	11,072
Prepaid expenses	19,365	21,702
	<u>693,218</u>	<u>716,341</u>
CAPITAL ASSETS (Note 5)	<u>10,160</u>	<u>10,393</u>
	<u>\$ 703,378</u>	<u>\$ 726,734</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Revolving demand loan (Note 6)	\$ 5,000	\$ 100,000
Accounts payable	22,014	30,381
Management fees payable	511	547
Wages payable	48,210	32,655
Deferred contributions (Note 7)	132,308	39,133
Leasehold inducement (Note 14)	2,719	-
Current portion of deferred equipment contributions (Note 10)	200	200
Current portion of deferred rent subsidy	-	12,147
	<u>210,962</u>	<u>215,063</u>
DEFERRED EQUIPMENT CONTRIBUTIONS (Note 10)	200	400
LEASEHOLD INDUCEMENTS (Note 14)	<u>10,648</u>	<u>-</u>
	<u>221,810</u>	<u>215,463</u>
NET ASSETS		
Unrestricted	(14,900)	(6,092)
Net investment in capital assets	9,759	9,793
Investment fund	486,709	507,570
	<u>481,568</u>	<u>511,271</u>
	<u>\$ 703,378</u>	<u>\$ 726,734</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, 2012

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.

2. 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.

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 (2011 - nil) donated services recorded in the financial statements.

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Notes to Financial Statements

Year Ended June 30, 2012

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 7.

Financial Instruments

The company'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 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. 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.
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LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2012

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 company 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 company 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, 2012		June 30, 2011	
	Cost	Carrying value	Cost	Carrying value
Due from broker	\$ 1,370	\$ 1,370	\$ 25,690	\$ 25,690
Marketable securities and fixed income	477,990	484,889	429,601	480,918
	<u>\$ 479,360</u>	<u>\$ 486,259</u>	<u>\$ 455,291</u>	<u>\$ 506,608</u>

Included in the above marketable securities and fixed income, \$486,259 (2011 - \$506,608) is directly held for the investment fund.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2012	2011
			Net book value	Net book value
Computer equipment	\$ 42,199	\$ 33,718	\$ 8,481	\$ 7,638
Computer software	3,993	3,251	742	517
Furniture and fixtures	34,909	33,972	937	2,238
	<u>\$ 81,101</u>	<u>\$ 70,941</u>	<u>\$ 10,160</u>	<u>\$ 10,393</u>

During the year, nil (2011 - nil) of capital assets were contributed and \$6,203 (2011 - \$8,107) of capital assets were purchased with cash.

6. REVOLVING DEMAND LOAN

The company has a \$250,000 revolving demand facility to finance the operation of a contract the company obtained with Canada Revenue Agency. The loan revolves in increments of \$5,000 with interest payable monthly at a rate of Royal Bank prime + 0.80% per annum. At year end, there was \$5,000 (2011 - \$100,000) drawn against this facility. A change of +/- 1% would result in a change of interest expense of \$50 (\$5,000 x 1%). The security for the loan is the investments (Note 4).

The company also has a credit card facility to a maximum of \$35,000. At year end, there was \$2,443 (2011 - \$4,006) of credit card payables included in accounts payable.

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2012

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
Sandra Garvie Memorial Fund	\$ 5,700	\$ -	\$ 751	\$ 4,949
The Muttart Foundation	24,782	-	8,865	15,917
Justice Canada	1,035	52,500	53,535	-
AREF Landlord and Tenant	4,493	61,572	66,065	-
Rules of Court	3,123	4,800	7,923	-
Status of Women	-	81,150	17,631	63,519
Youth PLE	-	107,000	70,707	36,293
Justice Canada Language Project	-	24,745	13,115	11,630
	<u>\$ 39,133</u>	<u>\$ 331,767</u>	<u>\$ 238,592</u>	<u>\$ 132,308</u>

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

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. 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:

	2012	2011
Rent expense	\$ 120,356	\$ 108,834
Rent subsidy amortization	(12,147)	(20,824)
Lease inducement amortization	(1,018)	-
	<u>\$ 107,191</u>	<u>\$ 88,010</u>

9. DEFERRED RENT SUBSIDY GRANT

	2012	2011
Rent subsidy received	\$ 50,000	\$ 50,000
Accumulated amortization	(50,000)	(37,853)
	-	-
Unamortized rent subsidy available for subsequent years	\$ -	\$ 12,147
Current portion of unamortized rent subsidy	\$ -	\$ 12,147

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2012

10. DEFERRED CAPITAL ASSET CONTRIBUTIONS

	2012	2011
Contributed office furnishings		
Cost	\$ 22,703	\$ 22,703
Accumulated amortization	<u>(22,303)</u>	<u>(22,103)</u>
Net book value	<u>\$ 400</u>	<u>\$ 600</u>
Current portion of contributed office furnishings	\$ 200	\$ 200
Long term portion of contributed office furnishings	<u>200</u>	<u>400</u>
Total	<u>\$ 400</u>	<u>\$ 600</u>

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 company 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:

	2012	2011
Interest income	\$ 6,351	\$ 8,010
Dividends	<u>8,307</u>	<u>6,997</u>
Total revenue	14,658	15,007
Realized gain on disposal of investments	(18)	60
Unrealized loss on adjustment to fair market values	(20,971)	23,216
Management brokerage fees	<u>(6,530)</u>	<u>(6,620)</u>
Investment net earnings (loss)	<u>\$ (12,861)</u>	<u>\$ 31,663</u>

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2012

12. OVERALL FUNDED (UNDERFUNDED) POSITION OF RESTRICTED FUNDS

	2012	2011
Cash	\$ 136,828	\$ 61,597
Short term investments	486,259	506,608
Interest receivable	793	1,509
	623,880	569,714
Subtotal		
Deferred contributions	(132,308)	(39,133)
Investment fund	(486,709)	(507,570)
	\$ 4,863	\$ 23,011
Overall funded (underfunded) position		

13. LEASE OBLIGATION

The company 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:

2013		\$ 151,543
2014		151,543
2015		144,483
2016		144,483
2017		132,443
		\$ 724,495

14. LEASE INDUCEMENTS

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

	2012	2011
Gross leasehold inducement non-cash receipts/rent-free periods	\$ 14,385	\$ -
Accumulated amortization	(1,018)	-
	\$ 13,367	\$ -
Total		
Current portion of leasehold inducements	\$ 2,719	\$ -
Long term portion of leasehold inducement	10,648	-
	\$ 13,367	\$ -

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Notes to Financial Statements

Year Ended June 30, 2012

15. ECONOMIC DEPENDENCE

The Alberta Law Foundation provides core funding that supports the overall administrative functions of the company and also enables the company to maintain a variety of public services. During the year, the company received 56% (2011 - 48%) of its operating revenue from the Alberta Law Foundation, and 24% (2011 - 36%) from one (2011 - one) contracts with the Canada Revenue Agency.

16. 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.

17. COMPARATIVE FIGURES

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