

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)

Financial Statements

Year Ended June 30, 2016



Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
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Year Ended June 30, 2016

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Independent Auditor's Report

To the Directors of Legal Resource Centre of Alberta Ltd. (Operating as Centre for Public Legal Education Alberta)

Report on the Financial Statements

We have audited the accompanying financial statements of Legal Resource Centre of Alberta Ltd., (Operating as Centre for Public Legal Education Alberta), which comprise the statement of financial position as at June 30, 2016 and the statements of operations, changes in net assets and cash flows 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 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.

Auditor's Responsibility

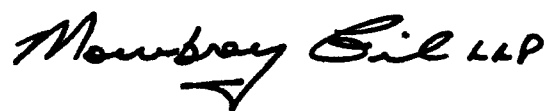
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Resource Centre of Alberta Ltd., (Operating as Centre for Public Legal Education Alberta), as at June 30, 2016 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 organizations.





Edmonton, Alberta
September 28, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Statement of Financial Position
June 30, 2016

	2016	2015
Assets		
Current		
Cash (Note 3)	\$ 136,035	\$ 167,550
Term deposits (Note 4)	51,058	50,521
Accounts receivable	-	1,634
Grants receivable	2,092	-
Goods and services tax recoverable	9,002	8,904
Prepaid expenses (Note 5)	62,320	94,518
	<u>260,507</u>	<u>323,127</u>
Property and equipment (Note 6)	40,944	51,616
Long term investments (Note 7)	511,995	505,659
	<u>\$ 813,446</u>	<u>\$ 880,402</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 60,598	\$ 48,643
Deferred contributions (Note 8)	83,238	149,701
Grants payable	18,732	21,866
Current portion of deferred leasehold inducements (Note 9)	45,113	47,910
	<u>207,681</u>	<u>268,120</u>
Deferred leasehold inducements (Note 9)	-	45,113
	<u>207,681</u>	<u>313,233</u>
Net assets		
Endowment fund (Note 10)	511,995	505,659
Furniture and equipment fund (Note 11)	8,165	24,175
Net investment in property and equipment fund	26,592	22,914
Unrestricted fund	59,013	14,421
	<u>605,765</u>	<u>567,169</u>
	<u>\$ 813,446</u>	<u>\$ 880,402</u>

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director



Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Statement of Operations
Year Ended June 30, 2016

	2016	2015
Revenues		
Alberta Law Foundation	\$ 664,896	\$ 688,315
Contracts and grants	<u>271,721</u>	<u>342,816</u>
	<u>936,617</u>	<u>1,031,131</u>
Expenses		
Salaries and wages	582,024	605,943
Rental	142,592	141,700
Consulting fees	57,362	68,061
Office and general	53,183	71,448
Printing and copying	48,731	55,992
Professional fees	16,655	16,873
Telephone	8,555	8,751
Memberships	5,866	7,634
Travel	5,779	8,936
Insurance	4,352	4,503
Interest and bank charges	<u>1,192</u>	<u>1,288</u>
	<u>926,291</u>	<u>991,129</u>
Excess of revenues over expenses from operations	<u>10,326</u>	<u>40,002</u>
Other expenses (income)		
Amortization of property and equipment	26,683	21,624
Interest income	(707)	(629)
Amortization of deferred leasehold inducements (Note 13)	<u>(47,910)</u>	<u>(47,910)</u>
	<u>(21,934)</u>	<u>(26,915)</u>
Excess of revenues over expenses for the year	<u>\$ 32,260</u>	<u>\$ 66,917</u>

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Statement of Changes in Net Assets
Year Ended June 30, 2016

	2015 Balance	Excess of revenues over expenses	Endowment fund gain (Note 10)	Transfers (Note 12)	2016 Balance
Endowment Fund (Note 10)	\$ 505,659	\$ -	\$ 6,336	\$ -	\$ 511,995
Furniture and Equipment Fund (Note 11)	24,175	-	-	(16,010)	8,165
Net Investment in Property and Equipment Fund	22,914	-	-	3,678	26,592
Unrestricted Fund	14,421	32,260	-	12,332	59,013
	\$ 567,169	\$ 32,260	\$ 6,336	\$ -	\$ 605,765

	2014 Balance	Excess of revenues over expenses	Endowment fund gain (Note 10)	Transfers (Note 12)	2015 Balance
Endowment Fund (Note 10)	\$ 516,302	\$ -	\$ 14,357	\$ (25,000)	\$ 505,659
Furniture and Equipment Fund (Note 11)	3,612	-	-	20,563	24,175
Net Investment in Property and Equipment Fund	25,749	-	-	(2,835)	22,914
Unrestricted Fund	(59,768)	66,917	-	7,272	14,421
	\$ 485,895	\$ 66,917	\$ 14,357	\$ -	\$ 567,169

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Statement of Cash Flows
Year Ended June 30, 2016

	2016	2015
Operating activities		
Excess of revenues over expenses for the year	\$ 32,260	\$ 66,917
Items not affecting cash:		
Endowment fund income (Note 10)	6,336	14,357
Amortization of property and equipment	26,683	21,624
Amortization of deferred leasehold inducements (Note 13)	(47,910)	(47,910)
	<u>17,369</u>	<u>54,988</u>
Changes in non-cash working capital:		
Accounts receivable	1,634	14,620
Grants receivable	(2,092)	76,670
Goods and services tax recoverable	(98)	452
Prepaid expenses	32,198	(79,970)
Accounts payable and accrued liabilities	11,954	(16,637)
Deferred contributions	(66,463)	(28,154)
Grants payable	(3,134)	21,866
Deferred leasehold inducements	-	80,171
	<u>(26,001)</u>	<u>69,018</u>
	<u>(8,632)</u>	<u>124,006</u>
Investing activities		
Purchase of property and equipment	(16,010)	(4,436)
Proceeds (purchase) of term deposits	(537)	50,652
Disposal (purchase) of long term investments, net	(6,336)	10,644
	<u>(22,883)</u>	<u>56,860</u>
Increase (decrease) in cash flow	(31,515)	180,866
Cash (deficiency) - beginning of year	167,550	(13,316)
Cash - end of year	\$ 136,035	\$ 167,550

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2016

1. Description of the organization

The Legal Resource Centre of Alberta Ltd. ("the Centre") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta on May 12, 1975. The Centre is a registered charitable organization and is exempt from the payment of income taxes under the Income Tax Act, Canada.

The Centre operates as the Centre for Public Legal Education Alberta and has a mandate to contribute to, advance, and promote the legal knowledge and education of the people of Alberta.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. The significant areas requiring management estimate include the allowance for doubtful accounts, the estimated useful lives of property and equipment, and the fair value of long term investments. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

Cash

Cash consists of demand deposits held with a financial institution.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over their estimated useful life at the following rates and methods:

Leasehold improvements	term of lease	straight-line method
Computer software	3 years	straight-line method
Computer equipment	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method

Contributions received for acquiring property and equipment are recorded as deferred contributions and recognized on the same basis and rates as the related fixed assets. The contributions are recorded as revenues under contracts and grants.

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 on the statement of operations.

(continues)

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2016

2. **Summary of significant accounting policies** *(continued)*

Impairment of long lived assets

The Centre tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Revenue recognition

The Centre follows the deferral method of accounting for funding. Restricted funding is recognized as revenue in the year in which the related expenses are incurred. Upon completion of the contract any unspent amounts may be required to be repaid to the funding provider.

Unrestricted funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

Unrestricted investment income is recognized as revenue when earned.

Fund accounting

The Centre uses fund accounting to allocate its revenues and expenses according to their nature. Interfund transfers are not recognized as revenues and expenses but rather as changes in fund balances.

The following funds are used:

- The Unrestricted Fund reports the excess of revenues over expenses for the year.
- The Net Investment in Property and Equipment Fund reports the net assets invested in property and equipment.
- The Endowment Fund reports the externally restricted original endowment contribution amounts and the internally restricted investment income to be used for the purchase of capital equipment or furnishings.
- The Furniture and Equipment Fund tracks specific expenses against the amounts which are transferred from the Endowment Fund.

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Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)

Notes to Financial Statements
Year Ended June 30, 2016

2. **Summary of significant accounting policies** *(continued)*

Contributed goods and services

The operations of the Centre depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

3. **Cash**

The Centre has a credit card facility to a maximum of \$30,000 (2015 - \$30,000). At year end, there was \$4,238 (2015 - \$1,078) of credit card payables included in accounts payable and accrued liabilities. The Centre also has a revolving demand facility of \$5,000 (2015 - \$5,000) bearing interest at prime plus 5% per annum. These facilities are secured by a general security agreement over the Centre's assets.

4. **Term deposits**

Term deposits consist of a redeemable Guaranteed Investment Certificate ("GIC") which bears interest at 0.70% per annum and matures in January 2017. The interest is payable at maturity.

5. **Prepaid expenses**

	<u>2016</u>		<u>2015</u>
Leasehold inducement	\$ 46,415	\$	80,171
Prepaid expenses	15,905		14,347
	<u>\$ 62,320</u>	\$	<u>94,518</u>

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2016

6. Property and equipment

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Leasehold improvements	\$ 57,407	\$ 43,055	\$ 14,352	\$ 28,704
Computer software	23,090	12,941	10,149	17,250
Computer equipment	29,566	14,357	15,209	3,935
Furniture and fixtures	37,377	36,143	1,234	1,727
	\$ 147,440	\$ 106,496	\$ 40,944	\$ 51,616

7. Long term investments

	2016		2015	
	Cost	Market	Cost	Market
Marketable securities	\$ 475,277	\$ 507,313	\$ 432,102	\$ 464,789
Cash with broker	4,682	4,682	40,386	40,386
Accrued interest	-	-	484	484
	\$ 479,959	\$ 511,995	\$ 472,972	\$ 505,659

The long term investments are held for the purpose of the Endowment Fund (Note 10).

8. Deferred contributions

The Centre receives the majority of its funding by way of grants and restricted donations. This funding is deferred and recognized in conjunction with the related expenses. The balance at year end consists of the following:

	Balance, beginning of the year	Restricted contributions	Recognized in revenue	Balance, end of the year
Department of Justice Canada	\$ 66,500	\$ 70,000	\$ 66,500	\$ 70,000
Human Rights and Multicultural Education Fund: Tenancies	43,000	-	43,000	-
Alberta Law Foundation: Intermediaries PLE Training	18,008	-	18,008	-
Alberta Real Estate Foundation: Landlord and Tenant	11,207	-	11,207	-
Alberta Real Estate Foundation: Condo Education Project	10,986	-	10,986	-
Homeward Trust Edmonton	-	13,333	95	13,238
	\$ 149,701	\$ 83,333	\$ 149,796	\$ 83,238

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2016

9. Lease inducements

The Centre received the following leasehold inducements relating to their premises lease: rent-free period, leasehold improvements and an improvement allowance.

	2016	2015
Opening balance	\$ 93,023	\$ 60,761
Leasehold improvements	-	-
Tenant improvement allowance	-	80,172
Current year amortization (Note 13)	(47,910)	(47,910)
	\$ 45,113	\$ 93,023
Current portion of leasehold inducements	\$ 45,113	\$ 47,910
Long term portion of leasehold inducements	-	45,113
	\$ 45,113	\$ 93,023

Leasehold inducements are amortized over the life of the leased premises.

10. Endowment 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 Queen'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 property and equipment. 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 income to be used for the purchase of capital equipment or furnishings.

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

	2016	2015
Dividends	\$ 11,961	\$ 6,770
Interest income	2,320	3,761
Realized gain (loss) on disposal of investments	(708)	6,087
Unrealized gain (loss) on adjustment to fair market value	(795)	4,167
Management brokerage fees	(6,442)	(6,428)
	\$ 6,336	\$ 14,357

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2016

11. Furniture and Equipment Fund

The Furniture and Equipment Fund tracks specific expenses against the amounts which are transferred from the Endowment 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. Any unused amounts in the fund at June 30, 2016 is required by prior Board resolution to be returned to the Endowment Fund.

12. Interfund allocations

During the year, the Unrestricted Fund allocated \$12,332 to the Net Investment in Property and Equipment Fund (2015 - \$7,272) for the amortization of capital assets and the Furniture and Equipment Fund allocated \$16,010 to the Net Investment in Property and Equipment Fund for the acquisition of furniture and equipment (2015 - \$4,436).

13. Amortization on deferred leasehold inducements

	2016	2015
Lease inducement amortization related to rent-free periods	\$ 6,070	\$ 6,070
Lease inducement amortization related to tenant improvements	41,840	41,840
	\$ 47,910	\$ 47,910

14. Lease commitments

The Centre has a long term lease with respect to its premises and office equipment. Future minimum lease payments as at June 30, 2016, which include estimated operating costs of the office space, are as follows:

2017	\$ 133,292
2018	3,426
	\$ 136,718

15. 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 Centre received 71% (2015 - 67%) of its operating revenue from the Alberta Law Foundation.

16. Financial instruments

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Centre's financial instruments consist of recorded amounts of cash, term deposits, grants receivable, long term investments, accounts payable and accrued liabilities and grants payable.

The Centre is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Centre's risk exposure and concentration as of June 30, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Centre is exposed to credit risk from funding providers. The Centre is not exposed to a concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its receipt of funds from its funding providers and other related sources, and accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Centre is mainly exposed to currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Centre's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Centre is exposed to foreign currency exchange risk on long term investments held in U.S. dollars. The Centre does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Centre manages exposure through its normal operating activities. The Centre is exposed to interest rate risk primarily through its fixed rate term deposits and fixed income investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Centre is exposed to other price risk through its investment in equity securities.