

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

Financial Statements
Year Ended June 30, 2017



Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
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Year Ended June 30, 2017

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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, 2017 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, 2017 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.

A handwritten signature in black ink that reads 'Mowbrey Gil LLP'. The signature is written in a cursive, flowing style.

Edmonton, Alberta
October 4, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Statement of Financial Position
June 30, 2017

	2017	2016
Assets		
Current		
Cash (Note 3)	\$ 325,196	\$ 136,035
Term deposits (Note 4)	51,058	51,058
Grants receivable	-	2,092
Goods and services tax recoverable	5,134	9,002
Prepaid expenses (Note 5)	13,026	62,320
	<u>394,414</u>	<u>260,507</u>
Property and equipment (Note 6)	12,547	40,944
Long term investments (Note 7)	541,112	511,995
	<u>\$ 948,073</u>	<u>\$ 813,446</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 36,784	\$ 60,598
Deferred contributions (Note 8)	225,450	83,238
Grants payable	6,920	18,732
Current portion of deferred leasehold inducements (Note 9)	-	45,113
	<u>269,154</u>	<u>207,681</u>
Net assets		
Endowment fund (Note 10)	549,423	511,995
Furniture and equipment fund (Note 11)	-	8,165
Net investment in property and equipment fund	12,547	26,592
Unrestricted fund	116,949	59,013
	<u>678,919</u>	<u>605,765</u>
	<u>\$ 948,073</u>	<u>\$ 813,446</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, 2017

	2017	2016
Revenues		
Alberta Law Foundation	\$ 602,119	\$ 664,896
Contracts and grants (Note 8)	218,063	266,180
Miscellaneous	2,864	5,541
	<u>823,046</u>	<u>936,617</u>
Expenses		
Salaries and wages	517,044	582,024
Rental	140,064	142,592
Office and general	43,365	53,183
Printing and copying	39,154	48,731
Professional fees	15,909	16,655
Consulting fees	10,538	57,362
Memberships	10,082	5,866
Telephone	6,907	8,555
Insurance	5,660	4,352
Travel	5,571	5,779
Interest and bank charges	1,577	1,192
	<u>795,871</u>	<u>926,291</u>
Excess of revenues over expenses from operations	<u>27,175</u>	<u>10,326</u>
Other expenses (income)		
Amortization of property and equipment	28,397	26,683
Interest income	-	(707)
Amortization of deferred leasehold inducements (Note 13)	(45,113)	(47,910)
	<u>(16,716)</u>	<u>(21,934)</u>
Excess of revenues over expenses for the year	<u>\$ 43,891</u>	<u>\$ 32,260</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, 2017

	2016 Balance	Excess of revenues over expenses	Endowment fund gain (Note 10)	Transfers (Note 12)	2017 Balance
Endowment Fund (Note 10)	\$ 511,995	\$ -	\$ 29,263	\$ 8,165	\$ 549,423
Furniture and Equipment Fund (Note 11)	8,165	-	-	(8,165)	-
Net Investment in Property and Equipment Fund	26,592	-	-	(14,045)	12,547
Unrestricted Fund	59,013	43,891	-	14,045	116,949
	\$ 605,765	\$ 43,891	\$ 29,263	\$ -	\$ 678,919

	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

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Statement of Cash Flows
Year Ended June 30, 2017

	2017	2016
Operating activities		
Excess of revenues over expenses for the year	\$ 43,891	\$ 32,260
Items not affecting cash:		
Endowment fund income (Note 10)	29,263	6,336
Amortization of property and equipment	28,397	26,683
Amortization of deferred leasehold inducements (Note 13)	(45,113)	(47,910)
	<u>56,438</u>	<u>17,369</u>
Changes in non-cash working capital:		
Accounts receivable	-	1,634
Grants receivable	2,092	(2,092)
Goods and services tax recoverable	3,868	(98)
Prepaid expenses	49,294	32,198
Accounts payable and accrued liabilities	(23,814)	11,954
Deferred contributions	142,212	(66,463)
Grants payable	(11,812)	(3,134)
	<u>161,840</u>	<u>(26,001)</u>
	<u>218,278</u>	<u>(8,632)</u>
Investing activities		
Purchase of property and equipment	-	(16,010)
Purchase of term deposits	-	(537)
Purchase of long term investments, net	(29,117)	(6,336)
	<u>(29,117)</u>	<u>(22,883)</u>
Increase (decrease) in cash flow	189,161	(31,515)
Cash - beginning of year	136,035	167,550
Cash - end of year	\$ 325,196	\$ 136,035

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2017

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. 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 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:

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

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.

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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, 2017

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

Revenue recognition

The Centre follows the deferral method of accounting for funding received. 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.

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 Endowment Fund reports the externally restricted original endowment contribution 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.
- The Net Investment in Property and Equipment Fund reports the net assets invested in property and equipment.
- The Unrestricted Fund reports the excess of revenues over expenses for the year.

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.

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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, 2017

2. Summary of significant accounting policies (continued)

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 available to a maximum of \$30,000 (2016 - \$30,000). At year end, there was \$2,397 (2016 - \$4,238) of credit card payables included in accounts payable and accrued liabilities. The Centre also has available a revolving demand facility of \$5,000 (2016 - \$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 which bears interest at 0.50% per annum and matures in January 2018. The interest is payable at maturity.

5. Prepaid expenses

	2017	2016
Prepaid expenses	\$ 13,026	\$ 15,905
Leasehold inducement	-	46,415
	\$ 13,026	\$ 62,320

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

Notes to Financial Statements

Year Ended June 30, 2017

6. Property and equipment

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 21,459	\$ 12,925	\$ 8,534	\$ 15,209
Computer software	23,090	19,817	3,273	10,149
Furniture and fixtures	37,377	36,637	740	1,234
Leasehold improvements	57,407	57,407	-	14,352
	\$ 139,333	\$ 126,786	\$ 12,547	\$ 40,944

7. Long term investments

	2017		2016	
	Cost	Market	Cost	Market
Marketable securities	\$ 488,308	\$ 540,461	\$ 475,277	\$ 507,313
Cash with broker	651	651	4,682	4,682
	\$ 488,959	\$ 541,112	\$ 479,959	\$ 511,995

The long term investments are held for the purpose of the Endowment Fund (refer to 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	\$ 70,000	\$ 70,000	\$ 80,000	\$ 60,000
Ministry of Status of Women	-	50,000	-	50,000
Alberta Real Estate Foundation: Condo Education Project	-	91,858	44,858	47,000
Alberta Human Rights and Multiculturalism	-	46,450	-	46,450
Burns Memorial Fund	-	30,000	13,000	17,000
Alberta Real Estate Foundation: Landlord and Tenant	-	65,300	60,300	5,000
Homeward Trust Edmonton	13,238	6,667	19,905	-
	\$ 83,238	\$ 360,275	\$ 218,063	\$ 225,450

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2017

9. Lease inducements

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

	2017	2016
Opening balance	\$ 45,113	\$ 93,023
Current year amortization (Note 13)	(45,113)	(47,910)
	\$ -	\$ 45,113

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 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:

	2017	2016
Unrealized gain (loss) on adjustment to fair market value	\$ 20,097	\$ (795)
Dividends	11,083	11,961
Interest income	2,748	2,320
Realized gain (loss) on disposal of investments	2,085	(708)
Management brokerage fees	(6,750)	(6,442)
	\$ 29,263	\$ 6,336

11. Furniture and Equipment Fund

The Furniture and Equipment Fund ("the Fund") tracks specific expenses against the amounts which are transferred from the Endowment Fund upon approval by the Board. This Fund provides the Board with a clear picture of how the net assets are being spent and enables the Board to ensure the expenses are consistent with policy. Any unused amounts in the Fund at June 30, 2017 are required by prior Board resolution to be returned to the Endowment Fund.

A transfer of excess funds of \$8,165 (2016 - \$nil) was made from the Fund to the Endowment Fund, however the cash was not invested until subsequent to year end.

Legal Resource Centre of Alberta Ltd.
(Operating as Centre for Public Legal Education Alberta)
Notes to Financial Statements
Year Ended June 30, 2017

12. Interfund allocations

During the year, the Unrestricted Fund allocated \$14,045 to the Net Investment in Property and Equipment Fund (2016 - \$12,332) for the amortization of capital assets and the Furniture and Equipment Fund allocated \$nil to the Net Investment in Property and Equipment Fund for the acquisition of furniture and equipment (2016 - \$16,010).

13. Amortization on deferred leasehold inducements

	2017	2016
Lease inducement amortization related to tenant improvements	\$ 39,548	\$ 41,840
Lease inducement amortization related to rent-free periods	5,565	6,070
	\$ 45,113	\$ 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, 2017, which include estimated operating costs of the office space, are as follows:

2018	\$ 103,122
2019	99,696
2020	99,696
2021	99,696
2022	91,388
	\$ 493,598

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 73% (2016 - 71%) 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, 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, 2017.

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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, 2017

16. **Financial instruments** *(continued)*

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 for the amounts due from funding providers.

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, accounts payable and accrued liabilities, and grants payable.

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 interest rate risk and other price 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 long term 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), 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.