

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Financial Statements

Year Ended June 30, 2009

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

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Year Ended June 30, 2009

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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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton , Alberta
October 29, 2009

Bryan Mason & Company
CHARTERED ACCOUNTANTS

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Operations

Year Ended June 30, 2009

	2009	2008
REVENUES		
Alberta Law Foundation	\$ 564,624	\$ 502,903
Contracts and grants	800,864	504,723
Contributed equipment	5,944	5,944
Law Now sales	22,855	51,358
	<u>1,394,287</u>	<u>1,064,928</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion	12,033	13,828
Amortization	19,894	11,621
Board expenses	389	894
Computing	23,761	36,125
Consulting fees	192,201	135,121
Delivery, freight and express	11,935	6,774
Employee benefits	41,632	33,469
Equipment rentals	-	2,240
Insurance	4,132	1,282
Interest and bank charges	11,871	7,284
Meetings and conventions	2,753	10,850
Memberships	12,611	4,861
Office	6,091	3,688
Printing and copying	69,701	37,533
Professional fees	25,955	25,464
Rental	75,904	72,813
Salaries and wages	927,191	650,470
Staff development	2,014	2,440
Supplies	6,684	11,197
Telephone	15,847	13,569
Travel	28,943	20,796
Expense recoveries	(73,688)	(38,931)
	<u>1,417,854</u>	<u>1,063,388</u>
EXCESS OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>(23,567)</u>	1,540
OTHER INCOME (EXPENSES)		
Interest income	1,176	3,050
Loss on disposal of capital assets	-	(1,054)
	<u>1,176</u>	<u>1,996</u>
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR	<u>\$ (22,391)</u>	<u>\$ 3,536</u>

See notes to the financial statements

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

Statement of Changes in Net Assets
Year Ended June 30, 2009

	Unrestricted	Internally Restricted (Note 9)	Net Investment Capital Assets	Investment Fund	Total 2009	Total 2008
NET ASSETS - BEGINNING OF YEAR	\$ 33,437	\$ 21,943	\$ 24,520	\$ 520,794	\$ 600,694	\$ 596,710
Excess (deficiency) of revenues over expenses	(2,497)		(19,894)		(22,391)	3,536
Investment in capital assets	(5,945)	(13,431)	19,376		-	-
Fund transfer	(58,883)	58,448		435	-	-
Investment fund net loss (Note 10)				(32,181)	(32,181)	448
NET ASSETS - END OF YEAR	\$ (33,888)	\$ 66,960	\$ 24,002	\$ 489,048	\$ 546,122	\$ 600,694

	Unrestricted	Internally Restricted (Note 9)	Net Investment in Capital Assets	Investment Fund	Total 2008
NET ASSETS - BEGINNING OF PERIOD	\$ 21,897	\$ 37,455	\$ 17,012	\$ 520,346	\$ 596,710
Excess (deficiency) of revenues over expenses	17,484	(2,327)	(11,621)	-	3,536
Investment in capital assets	(5,944)	(13,185)	19,129		-
Fund transfer	(1,122)			1,122	-
Investment fund net earnings				448	448
NET ASSETS - END OF PERIOD	\$ 32,315	\$ 21,943	\$ 24,520	\$ 521,916	\$ 600,694

See notes to the financial statements

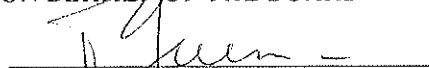
LEGAL RESOURCE CENTRE OF ALBERTA LTD.

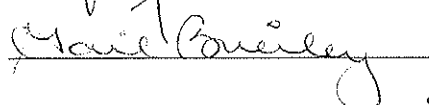
Statement of Financial Position

June 30, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 697	\$ 80,908
Investments (Note 3)	553,263	643,755
Interest receivable	3,459	3,973
Accounts receivable	177,857	88,938
Goods and services tax recoverable	23,017	10,929
Prepaid expenses	29,220	17,726
	<u>787,513</u>	<u>846,229</u>
CAPITAL ASSETS (Note 4)	<u>32,523</u>	<u>38,985</u>
	<u>\$ 820,036</u>	<u>\$ 885,214</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Revolving demand loan (Note 5)	\$ 110,000	\$ 75,000
Accounts payable	27,587	51,180
Wages payable	53,954	21,821
Deferred contributions (Note 6)	51,058	122,054
Deferred equipment contributions	8,521	14,465
Rent subsidy (Note 7)	22,794	-
	<u>273,914</u>	<u>284,520</u>
NET ASSETS		
Unrestricted	(33,888)	32,315
Internally restricted (Note 9)	66,960	21,943
Net investment in capital assets	24,002	24,520
Investment fund	489,048	521,916
	<u>546,122</u>	<u>600,694</u>
	<u>\$ 820,036</u>	<u>\$ 885,214</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, 2009

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 and subscribes to *Imagine Canada's Ethical Fundraising and Financial Accountability Code*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 fund are subject to measurement uncertainty and are based the terms on management's best information and judgment. Actual results could differ from these estimates.

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 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.

(continues)

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (2008 - \$nil) donated services recorded in the financial statements.

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.

3. INVESTMENTS

The following balances are included in the investments:

	June 30, 2009		June 30, 2008	
	Carrying value	Fair value	Carrying value	Fair Value
Due from broker	\$ 2,251	\$ 2,251	\$ 2,349	\$ 2,349
Marketable securities and fixed income	486,193	483,337	513,821	515,594
Term deposits	67,675	67,675	125,812	125,812
	<u>\$ 556,119</u>	<u>\$ 553,263</u>	<u>\$ 641,982</u>	<u>\$ 643,755</u>

Included in the above marketable securities and fixed income, \$485,589 (2008 - \$517,943) is directly held for the investment fund.

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Computer equipment	\$ 29,385	\$ 16,099	\$ 13,286	\$ 16,903
Computer software	3,103	517	2,586	-
Furniture and fixtures	33,909	17,258	16,651	22,082
	<u>\$ 66,397</u>	<u>\$ 33,874</u>	<u>\$ 32,523</u>	<u>\$ 38,985</u>

5. REVOLVING DEMAND LOAN

The Association has a \$350,000 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 + 1.0% per annum. At year end, there was \$110,000 (2008 - \$75,000) drawn against this facility.

The Association also has a revolving demand facility of \$10,000 to fund general operations. The loan revolves in increments of \$1,000 with interest payable monthly at a rate of prime + 1.8% per annum. At year end, there were no amounts drawn against on this facility.

The Association also has a credit card facility to a maximum of \$25,000. At year end, there was \$5,729 (2008 - \$295) of credit card payables included in accounts payable.

6. 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
Alberta Justice-A-Link	\$ 29,790	\$ -	\$ 29,790	\$ -
Alberta Justice-Grade 6 Program	6,685	57,500	64,185	-
Alberta Law Foundation	3,414	-	3,414	-
Alberta Law Foundation funding	12,783	58,275	44,526	26,532
Public Library Training Program	38,610	18,313	56,923	-
Sandra Garvie Memorial Fund	7,554	1,000	873	7,681
The Muttart Foundation	5,500	-	5,500	-
Alberta Real Estate Foundation - Landlord and Tenant	-	57,156	55,172	1,984
Youth Justice Education Partnership	14,861	-	-	14,861
Other	2,857	-	2,857	-
	<u>\$ 122,054</u>	<u>\$ 192,244</u>	<u>\$ 263,240</u>	<u>\$ 51,058</u>

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

7. RENT SUBSIDY

Rent subsidy received	\$	25,000
Accumulated amortization		<u>(2,206)</u>
Unamortized rent subsidy available for future years	\$	<u>22,794</u>

8. DEFERRED CAPITAL ASSET CONTRIBUTIONS

	2009	2008
Contributed office furnishings		
Cost	\$ 21,303	\$ 21,303
Accumulated amortization	<u>(12,782)</u>	<u>(8,521)</u>
Net book value	<u>8,521</u>	12,782
Contributed computer equipment		
Cost	5,050	5,050
Accumulated amortization	<u>(5,050)</u>	<u>(3,367)</u>
Net book value	<u>-</u>	1,683
Grand total	\$ 8,521	\$ 14,465

9. INTERNALLY RESTRICTED NET ASSETS

These internally restricted amounts are not available without the approval by the Board of Directors.

	Contingency Reserve	Expendable fund for purchase of equipment	Total
Opening balance	\$ 23,175	\$ (1,232)	\$ 21,943
Contingency reserve fund transfer to cover deficiency	(1,232)	1,232	-
Transfers from the general fund	43,448	15,000	58,448
Capital asset expenditures	-	<u>(13,431)</u>	<u>(13,431)</u>
	<u>\$ 65,391</u>	<u>\$ 1,569</u>	<u>\$ 66,960</u>

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

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.

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:

	2009	2008
Interest income	\$ 12,423	\$ 15,015
Dividends	7,273	3,267
Total revenue	19,696	18,282
Realized loss on disposal of investments	(38,650)	(7,730)
Unrealized loss on adjustment to fair market values	(6,879)	(3,835)
Management brokerage fees	(6,348)	(6,269)
Investment net earnings (loss)	\$ (32,181)	\$ 448

11. FUNDED (UNDERFUNDED) POSITION OF RESTRICTED FUNDS

	2009	2008
Cash	\$ 697	\$ 80,908
Short term investments	553,263	643,755
Interest receivable	3,459	3,973
Accounts receivable related to deferred contributions	-	7,500
Subtotal	557,419	736,136
Deferred contributions	(51,058)	(122,054)
Investment fund	(489,048)	(521,916)
Internally restricted	(66,960)	(21,943)
Funded (underfunded) position	\$ (49,647)	\$ 70,223

LEGAL RESOURCE CENTRE OF ALBERTA LTD.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

12. LEASE OBLIGATION

The Association has the following commitments for long-term leases of its office premises. The monthly rent cost includes amounts for common area and parking costs. The leases expires in January 2012. The minimum lease payments for the next three years are as follows:

2010	\$	99,302
2011		100,891
2012		59,194
		<hr/>
	\$	<u>259,387</u>

13. 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 40% (2008 - 49%) of its operating revenue from the Alberta Law Foundation, and 38% (2008 - 20%) from two (2008 - one) contracts with the Canada Revenue Agency.

14. 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.

15. COMPARATIVE FIGURES

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