

**ALBERTA LAW REFORM INSTITUTE**

**Financial Statements**

**Year Ended March 31, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Alberta Law Reform Institute

*Report on the Financial Statements*

We have audited the accompanying financial statements of Alberta Law Reform Institute, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits 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 Alberta Law Reform Institute as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta  
June 26, 2013

  
Chartered Accountants

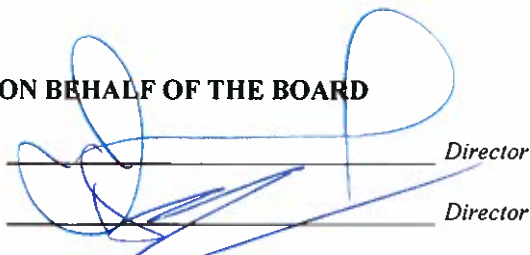
**ALBERTA LAW REFORM INSTITUTE**


**Statement of Financial Position**

**March 31, 2013**

	<i>March 31,</i> <b>2013</b>	<i>March 31,</i> <b>2012</b>	<i>April 1,</i> <b>2011</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 605,907	\$ 647,280	\$ 760,666
Accounts receivable	-	1,288	-
Restricted cash (Note 5)	<u>118,556</u>	<u>117,745</u>	<u>142,189</u>
	<b>724,463</b>	<b>766,313</b>	<b>902,855</b>
EQUIPMENT (Note 6)	<b>22,469</b>	<b>26,564</b>	<b>32,667</b>
INVESTMENTS HELD FOR SPECIAL RESERVE FUND (Note 7)	<u>786,261</u>	<u>712,298</u>	<u>685,443</u>
	<b>\$ 1,533,193</b>	<b>\$ 1,505,175</b>	<b>\$ 1,620,965</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	\$ 20,729	\$ 24,057	\$ 22,495
Grant funding repayable	109,930	75,458	118,034
Deferred contributions (Note 5)	<u>118,556</u>	<u>117,745</u>	<u>142,189</u>
	<b>249,215</b>	<b>217,260</b>	<b>282,718</b>
<b>NET ASSETS</b>			
Invested in equipment	22,469	26,564	32,667
Internally restricted - Special Reserve Fund (Note 8)	786,261	712,298	685,443
Internally restricted - Reserve Fund (Note 9)	454,184	534,497	621,528
Unrestricted	<u>21,064</u>	<u>14,556</u>	<u>(1,391)</u>
	<b>1,283,978</b>	<b>1,287,915</b>	<b>1,338,247</b>
	<b>\$ 1,533,193</b>	<b>\$ 1,505,175</b>	<b>\$ 1,620,965</b>

**ON BEHALF OF THE BOARD**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See notes to financial statements

**ALBERTA LAW REFORM INSTITUTE**

**Statement of Operations**

**Year Ended March 31, 2013**

	2013	2012
<b>REVENUE</b>		
Grants <i>(Note 10)</i>	\$ 1,366,986	\$ 1,394,529
Investment income <i>(Note 11)</i>	75,540	20,880
Other income	16,868	13,453
	<u>1,459,394</u>	<u>1,428,862</u>
<b>EXPENSES</b>		
Amortization	8,885	10,454
Board expenses	21,691	31,883
Communication	422	2,958
Consultants and professional services	303,032	277,523
Equipment rental	3,096	3,095
Library	4,199	4,827
Meetings and seminars	12,831	8,113
Postage	10,503	9,857
Printing and copying	14,161	8,661
Professional development	2,237	25,908
Repairs and maintenance	536	1,176
Salaries and benefits	1,028,751	1,047,877
Supplies and materials	19,591	25,347
Telephone and fax	9,739	9,124
Travel	17,740	18,696
	<u>1,457,414</u>	<u>1,485,499</u>
<b>EXCESS (DEFICIENCY) OF REVENUE EXPENSES</b>	<u>\$ 1,980</u>	<u>\$ (56,637)</u>

**ALBERTA LAW REFORM INSTITUTE**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2013**

	2012 Balance	Excess of revenue over (under) expenditures	Transfers	Transfer to deferred contributions	2013 Balance
Invested in Equipment	\$ 26,564	\$ (8,885)	\$ 4,790	\$ -	\$ 22,469
Internally restricted - special reserve fund	712,298	73,963	-	-	786,261
Internally restricted - reserve fund	534,497	5,237	(85,550)	-	454,184
Unrestricted	14,556	(68,335)	80,760	(5,917)	21,064
	<b>\$ 1,287,915</b>	<b>\$ 1,980</b>	<b>\$ -</b>	<b>\$ (5,917)</b>	<b>\$ 1,283,978</b>

	2011 Balance	Excess of revenue over (under) expenditures	Transfers	Transfer from deferred contributions	2012 Balance
Invested in Equipment	\$ 32,667	\$ (10,454)	\$ 4,351	\$ -	\$ 26,564
Internally restricted - Special Reserve Fund	685,443	26,855	-	-	712,298
Internally Restricted - Reserve Fund	621,528	7,478	(94,509)	-	534,497
Unrestricted	(1,391)	(80,516)	90,158	6,305	14,556
	<b>\$ 1,338,247</b>	<b>\$ (56,637)</b>	<b>\$ -</b>	<b>\$ 6,305</b>	<b>\$ 1,287,915</b>

**ALBERTA LAW REFORM INSTITUTE**

**Statement of Cash Flows**

**Year Ended March 31, 2013**

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue expenses	\$ 1,980	\$ (56,637)
Items not affecting cash:		
Amortization	8,885	10,454
Unrealized investment loss/(income)	<u>(38,280)</u>	<u>15,067</u>
	<u>(27,415)</u>	<u>(31,116)</u>
Changes in non-cash working capital:		
Accounts receivable	1,289	(1,288)
Accounts payable and accrued liabilities	<u>(3,331)</u>	<u>1,563</u>
	<u>(2,042)</u>	<u>275</u>
Cash flow used by operating activities	<u>(29,457)</u>	<u>(30,841)</u>
<b>INVESTING ACTIVITY</b>		
Purchase of equipment	<u>(4,790)</u>	<u>(4,352)</u>
<b>FINANCING ACTIVITIES</b>		
Grant funding repayable	34,472	(42,576)
Expenditure of deferred contributions	<u>(5,104)</u>	<u>(18,139)</u>
Cash flow from (used by) financing activities	<u>29,368</u>	<u>(60,715)</u>
<b>DECREASE IN CASH FLOW</b>	<b>(4,879)</b>	<b>(95,908)</b>
Cash - beginning of year	<u>877,043</u>	<u>972,951</u>
<b>CASH - END OF YEAR</b>	<b>\$ 872,164</b>	<b>\$ 877,043</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 605,907	\$ 647,280
Restricted cash	118,556	117,745
Cash held in special reserve fund	<u>147,701</u>	<u>112,018</u>
	<u>\$ 872,164</u>	<u>\$ 877,043</u>

# ALBERTA LAW REFORM INSTITUTE

## Notes to Financial Statements

Year Ended March 31, 2013

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### 1. PURPOSE OF ORGANIZATION

The Alberta Law Reform Institute (the "Institute") was established in 1968 by the Attorney General of Alberta, the Governors of the University of Alberta and the Law Society of Alberta.

The objectives of the Institute are:

- (a) the consideration of matters of law reform with a view to proposing to the appropriate authority the means by which laws of Alberta may be made more useful and effective; and
- (b) the preparation of proposals for law reform in Alberta, with respect to both the substantive law and the administration of justice.

As a not-for-profit organization, the Institute is not subject to taxation.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### Cash

Cash includes cash held in trust for the Institute by the University of Alberta. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash (see Note 5).

#### Financial instruments

##### Measurement

The Institute initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable and restricted cash. Financial assets measured at fair value include investments held for special reserve fund. Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and grant funding repayable.

##### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 net income.

##### Transaction costs

The Institute recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2013

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

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Office furniture and equipment	20%	declining balance method

Collections

The Institute maintains a library of research material and publications. Collections are expensed on acquisition.

Revenue recognition

The Institute follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are 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.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

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

During the year the Institute adopted accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The adoption of these standards did not require restatement of the statements of financial position, operations or changes in net assets as there were no accounting changes.

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ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2013

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4. FINANCIAL INSTRUMENTS

The entity is exposed to various risks through its financial instruments. The following analysis provides information about the entity's risk exposure and concentration as at March 31, 2013.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Institute is exposed to this risk mainly in respect of its receipt of funds from its grant providers and from obligations associated with its 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 Institute is mainly exposed to interest rate risk and other price risk.

The Institute's investments in publicly-traded securities and corporate bonds exposes the Institute to price risks as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions of credit markets. The Institute does not use derivative financial instruments to alter the effects of this risk and mitigates this risk by ensuring no individual investment is significant to the overall financial position of the Institute.

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5. RESTRICTED CASH AND DEFERRED CONTRIBUTIONS

	<u>2013</u>	<u>2012</u>
<b>Continuity of deferred contributions</b>		
Opening balance	\$ 117,745	\$ 142,189
Transfers from (to) unrestricted fund	5,917	(6,305)
Expenditures	<u>(5,106)</u>	<u>(18,139)</u>
	<u>\$ 118,556</u>	<u>\$ 117,745</u>
 <b>Deferred contributions are comprised of:</b>		
Reserve and administrative projects	\$ 9,640	\$ 4,425
Rules of Court	(3)	4,401
Consequential Rules Amendments Project	99,380	99,380
Commercial Law Strategy - ULCC	<u>9,539</u>	<u>9,539</u>
	<u>\$ 118,556</u>	<u>\$ 117,745</u>

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**ALBERTA LAW REFORM INSTITUTE**

**Notes to Financial Statements**

**Year Ended March 31, 2013**

**6. EQUIPMENT**

	Cost	Accumulated amortization	2013 Net book value
Computer	\$ 141,502	\$ 123,203	\$ 18,299
Office furniture and equipment	36,823	32,653	4,170
	<u>\$ 178,325</u>	<u>\$ 155,856</u>	<u>\$ 22,469</u>
	Cost	Accumulated amortization	2012 Net book value
Computer	\$ 136,713	\$ 115,361	\$ 21,352
Office furniture and equipment	36,823	31,611	5,212
	<u>\$ 173,536</u>	<u>\$ 146,972</u>	<u>\$ 26,564</u>

**7. INVESTMENTS HELD FOR SPECIAL RESERVE FUND**

	2013	2012
Investments	\$ 638,560	\$ 600,280
Cash	147,701	112,018
	<u>\$ 786,261</u>	<u>\$ 712,298</u>

Investments are pooled with endowment investments of the University of Alberta and are managed by the University.

**8. NET ASSETS - INTERNALLY RESTRICTED - SPECIAL RESERVE FUND**

The special reserve fund receives revenue from sources other than operating grants or project grants.

**9. NET ASSETS - INTERNALLY RESTRICTED - RESERVE FUND**

The Institute has set aside unrestricted surpluses from unexpended Alberta Justice grants as a contingency fund for future expenditures.

ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2013

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10. GRANTS

	2013	2012
Alberta Law Foundation - current year grant	\$ 1,010,000	\$ 990,000
Alberta Law Foundation - refundable portion of current grant	(109,930)	(75,458)
Alberta Justice	400,000	400,000
University of Alberta	60,000	60,000
Federal SCP Grant	1,810	1,848
Revenue from restricted contributions - Alberta Law Foundation	5,106	18,139
	<u>\$ 1,366,986</u>	<u>\$ 1,394,529</u>

The Institute has beneficial relationships with the above noted organizations.

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11. INVESTMENT INCOME

	2013	2012
Interest on internally restricted - reserve fund	\$ 5,237	\$ 7,478
Interest and realized capital gains on internally restricted - special reserve fund	32,023	28,469
Unrealized capital gains (losses) on internally restricted - special reserve fund	38,280	(15,067)
	<u>\$ 75,540</u>	<u>\$ 20,880</u>

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12. RELATED PARTY TRANSACTIONS

During the year, some members of the board of the Institute were paid \$12,400 (2012: \$13,700) in honoraria. Contract and salary payments for legal and management services were also paid to some board members in the amount of \$246,170 (2012: \$254,221).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The University of Alberta provides office facilities and services at a cost of \$1 to the Institute.

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13. COMPARATIVE FIGURES

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

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