

ALBERTA LAW REFORM INSTITUTE

Financial Statements

Year Ended March 31, 2015



INDEPENDENT AUDITOR'S REPORT

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 statement of financial position as at March 31, 2015 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 Alberta Law Reform Institute as at March 31, 2015 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
June 29, 2015

KBH
Chartered Accountants

ALBERTA LAW REFORM INSTITUTE

Statement of Financial Position

March 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 426,484	\$ 385,827
Restricted cash (Note 4)	9,740	20,173
	<u>436,224</u>	<u>406,000</u>
EQUIPMENT (Note 5)	18,538	17,785
INVESTMENTS HELD FOR SPECIAL RESERVE FUND (Note 6)	986,960	889,360
	<u>\$ 1,441,722</u>	<u>\$ 1,313,145</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 14,325	\$ 20,009
Grant funding repayable	119,365	53,537
Deferred contributions (Note 4)	9,740	20,173
	<u>143,430</u>	<u>93,719</u>
NET ASSETS		
Invested in equipment	18,538	17,785
Internally restricted - Special Reserve Fund (Note 7)	986,960	889,360
Internally restricted - Reserve Fund (Note 8)	261,887	288,201
Unrestricted	30,907	24,080
	<u>1,298,292</u>	<u>1,219,426</u>
	<u>\$ 1,441,722</u>	<u>\$ 1,313,145</u>

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

ALBERTA LAW REFORM INSTITUTE

Statement of Operations

Year Ended March 31, 2015

	2015	2014
REVENUE		
Grants <i>(Note 9)</i>	\$ 1,368,387	\$ 1,310,529
Investment income <i>(Note 10)</i>	98,371	93,421
Other income	1,430	16,380
	<u>1,468,188</u>	<u>1,420,330</u>
EXPENSES		
Advertising and promotion	1,071	-
Amortization	7,468	7,027
Audit fees	11,282	11,186
Board expenses	20,027	19,013
Communication	2,716	-
Consultants and professional services	245,533	247,189
Equipment rental	3,096	3,096
Information technology support	17,275	23,041
Library	1,367	1,698
Meetings and seminars	2,502	989
Memberships, dues and subscriptions	18,405	15,271
Postage	4,447	7,914
Printing and copying	5,848	8,279
Professional development	5,270	6,765
Repairs and maintenance	-	1,366
Salaries and benefits	1,003,213	1,103,631
Supplies and materials	26,328	10,382
Telephone and fax	11,142	8,605
Travel	10,013	12,862
	<u>1,397,003</u>	<u>1,488,314</u>
EXCESS (DEFICIENCY) OF REVENUE EXPENSES	<u>\$ 71,185</u>	<u>\$ (67,984)</u>

ALBERTA LAW REFORM INSTITUTE

Statement of Changes in Net Assets

Year Ended March 31, 2015

	2014 Balance	Excess of revenue over (under) expenditures	Transfers	Transfer to deferred contributions	2015 Balance
Invested in Equipment	\$ 17,785	\$ (7,468)	\$ 8,221	\$ -	\$ 18,538
Internally restricted - special reserve fund	889,360	97,600	-	-	986,960
Internally restricted - reserve fund	288,201	2,202	(28,516)	-	261,887
Unrestricted	24,080	(21,149)	20,295	7,681	30,907
	\$ 1,219,426	\$ 71,185	\$ -	\$ 7,681	\$ 1,298,292

ALBERTA LAW REFORM INSTITUTE

Statement of Cash Flows

Year Ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess (deficiency) of revenue expenses	\$ 71,185	\$ (67,984)
Items not affecting cash:		
Amortization	7,468	7,027
Unrealized investment income	<u>(73,207)</u>	<u>(64,868)</u>
	5,446	(125,825)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	<u>(5,684)</u>	<u>(719)</u>
Cash flow used by operating activities	<u>(238)</u>	<u>(126,544)</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(8,221)</u>	<u>(2,344)</u>
FINANCING ACTIVITIES		
Grant funding repayable	65,828	(56,393)
Expenditure of deferred contributions	(2,752)	(6,566)
Repayment of Consequential Rules Amendments Project funds	<u>-</u>	<u>(88,385)</u>
Cash flow from (used by) financing activities	<u>63,076</u>	<u>(151,344)</u>
INCREASE (DECREASE) IN CASH FLOW	54,617	(280,232)
Cash - beginning of year	<u>591,932</u>	<u>872,164</u>
CASH - END OF YEAR	\$ 646,549	\$ 591,932
CASH CONSISTS OF:		
Cash	\$ 426,484	\$ 385,827
Restricted cash	9,740	20,173
Cash held in special reserve fund	<u>210,325</u>	<u>185,932</u>
	\$ 646,549	\$ 591,932

ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2015

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.

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.

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 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.

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 4).

(continues)

ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2015

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.

ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2015

3. 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, 2015.

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.

4. RESTRICTED CASH AND DEFERRED CONTRIBUTIONS

	2015	2014
Continuity of deferred contributions		
Opening balance	\$ 20,173	\$ 118,556
Expenditures	(2,752)	(6,566)
Transfers from unrestricted fund	1,858	7,560
Repayment of unused Consequential Rules Amendments		
Project funds	-	(88,385)
Transfers of unused project funds to reserve fund	-	(10,992)
Transfer of unused project funds to unrestricted net assets	(9,539)	-
	\$ 9,740	\$ 20,173
 Deferred contributions are comprised of:		
Reserve and administrative projects	\$ 9,740	\$ 10,634
Commercial Law Strategy - ULCC	-	9,539
	\$ 9,740	\$ 20,173

ALBERTA LAW REFORM INSTITUTE

Notes to Financial Statements

Year Ended March 31, 2015

5. EQUIPMENT

	Cost	Accumulated amortization	2015 Net book value
Computer	\$ 152,066	\$ 136,197	\$ 15,869
Office furniture and equipment	36,823	34,154	2,669
	\$ 188,889	\$ 170,351	\$ 18,538

	Cost	Accumulated amortization	2014 Net book value
Computer	\$ 143,846	\$ 129,396	\$ 14,450
Office furniture and equipment	36,823	33,488	3,335
	\$ 180,669	\$ 162,884	\$ 17,785

6. INVESTMENTS HELD FOR SPECIAL RESERVE FUND

	2015	2014
Investments	\$ 776,635	\$ 703,428
Cash	210,325	185,932
	\$ 986,960	\$ 889,360

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

7. NET ASSETS - INTERNALLY RESTRICTED - SPECIAL RESERVE FUND

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

8. 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, 2015

9. GRANTS

	<u>2015</u>	<u>2014</u>
Alberta Law Foundation - current year grant	\$ 1,025,000	\$ 1,027,500
Alberta Law Foundation - refundable portion of current grant	(119,365)	(53,537)
Alberta Justice	400,000	270,000
University of Alberta	60,000	60,000
Revenue from restricted contributions	2,752	6,566
	<u>\$ 1,368,387</u>	<u>\$ 1,310,529</u>

The Institute has beneficial relationships with the above noted organizations.

10. INVESTMENT INCOME

	<u>2015</u>	<u>2014</u>
Interest on internally restricted - reserve fund	\$ 2,202	\$ 5,590
Interest and realized capital gains on internally restricted - special reserve fund	22,962	22,963
Unrealized capital gains on internally restricted - special reserve fund	73,207	64,868
	<u>\$ 98,371</u>	<u>\$ 93,421</u>

11. RELATED PARTY TRANSACTIONS

During the year, some members of the board of the Institute were paid \$3,000 in honoraria. Contract and salary payments for advisory and management services were also paid to a member of management who is also a board member in the amount of \$239,200.

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.
