

ANNUAL REPORT 2001



Don Silversides, Q.C.

REPORT FROM THE CHAIR

During 2001, the Law Foundation of British Columbia approved 70 grants totalling \$14.4 million. Of this amount, \$11.4 million was allocated to 53 continuing programs and \$3 million was allocated to 17 one-time projects. Many of these grants helped to fund initiatives designed to make the law and justice system more accessible to the people of British Columbia, particularly those

British Columbians who have the greatest difficulties with access to justice. As well, many grants went to support law libraries, legal research, legal education and law reform initiatives. § In view of the clear need for ongoing work in our five statutorily mandated areas, the board of governors decided to continue giving priority to core funding for programs and services. Recognizing that grantees are facing significantly increased demands on their services and reductions in funding from other sources, governors increased the amount of core funding for existing grant

REPORT FROM THE CHAIR

recipients by 10% in 2001. To ensure support for new programs that meet emerging legal needs, the Law Foundation also approved core funding for 11 additional programs. The range of services provided and groups targeted by these new programs reflects a decision by the governors to encourage applications that address certain areas of need and reflect the geographic and cultural diversity of the province. The areas of need addressed through these 11 new continuing programs include aboriginal justice, farmworkers and the law, poverty and mental health issues, seniors and the law and virtual law library services.

Governors also confirmed the importance of responding to emerging legal needs in the province through project funding. During 2001, governors completed the adjudication of applications for grants received as part of the 2000 major projects initiative. Grants for 30 major projects were approved, resulting in significant multi-year demonstration work in key areas such as professional legal education, the rights of people with disabilities, poverty law and human rights, court interpretation services, violence against women, cultural diversity, alternative justice systems and the rights of aboriginal women and children.

In 2001, governors continued efforts to strengthen the foundation's relationship with grantees and to provide capacity building support. An aboriginal program director was retained to assess grant applications and mentor foundation staff in the area of aboriginal justice. In addition to the distribution of a newsletter, the foundation held a conference that featured sessions on the role of boards, creative organizational responses to diversity in communities,

new and emerging legal issues and achieving organizational sustainability.

An ongoing challenge facing the foundation is to balance a volatile income base against the need to provide stable core funding for programs that benefit the public and the legal profession. The foundation's income from interest earned on lawyers' pooled trust accounts is dependent upon the total balances held in lawyers' trust accounts in British Columbia, the prime rate of interest and the agreements negotiated with financial institutions. A drop in the prime rate has a major impact on our annual revenue, particularly at lower rates.

A reduction of 1% in the prime rate, depending on the level of trust account balances, can result in a reduction of \$4 to \$5 million in revenues. In 2001, the prime rate dropped nine times, from 7.5% to 4.0%, which resulted in the foundation's revenues declining from \$21.6 million in 2000 to \$16.5 million in 2001. Based on the most recent advice received from the economists we consult, the foundation is currently projecting a further dramatic and unprecedented decline in revenues during 2002, which will result in total revenues for the year of \$4 million or less. Without an increase in the prime rate or economic activity forecast for British Columbia, this will represent a decrease of at least \$12.5 million in 2002, resulting in total revenue that is 75% less than that received in 2001.

The foundation's strategies for attempting to achieve financial stability for its grant recipients include using a grant stabilization reserve, reducing grant-making activities and negotiating competitive agreements with financial institutions.

With respect to the grant stabiliza-

tion reserve, governors have pursued a strategy since 1990 of accumulating surplus income in a reserve, with the expectation of using that reserve during years of lower income in order to avoid drastic cutbacks to our grants for continuing programs in any single year. Declining prime rates caused significant reductions in income and resulted in the foundation drawing down the reserve by \$7.6 million from 1990 to 1997. The foundation was able to add \$7.1 million to the reserve from 1998 to 2000, when the prime rate was increasing, and a further \$1.3 million in 2001. With the dramatic drop in the prime rate in the latter half of 2001 to historically low levels, however, the foundation may need to draw down its reserve by \$9 million in 2002 in order to provide stable core funding for recipients of grants for continuing programs.

In anticipation of a major reduction in revenue, governors took steps in 2001 to reduce the amount of grants. Governors invited applications for grants to fund new projects in the fall of 2001 with adjudication to take place in June 2002. The size of the budget for these new projects was reduced to \$0.5 million from an original \$2 million. If there is no significant improvement in the foundation's projected revenues during 2002, the foundation will be required to make significant reductions to its grants budget for 2003.

A third strategy involves negotiating competitive agreements with financial institutions for the rates they pay on lawyers' pooled trust accounts. In 2001, the foundation negotiated competitive agreements of prime less 3% with TD/Canada Trust and Coast Capital Savings Credit Union. We commend all of those financial institutions that provide a competitive rate of return on lawyers' pooled trust accounts, and thank mem-



David Brine, Q.C.



Victoria Gray, Q.C.

bers of the profession who make their choice of institution accordingly.

By drawing down a very substantial portion of the grant stabilization fund, the 2002 budget will allow governors to provide funding stability for 53 programs, by continuing their core funding at the same level as 2001, and to provide modest funding for new projects. Governors also approved the second year of a moratorium on the renewal core funding application process in 2002 for those programs that are effective, financially well managed and not in the process of transition. The foundation recognizes that this moratorium will be beneficial to grantees because administrative efficiency should be achieved. The foundation will also benefit from the moratorium, as it will allow the board and staff to concentrate on strategic planning processes, including increasing the organization's capacity to welcome and encourage diversity.

The year 2001 saw several changes in the board of governors and management of the Law Foundation. In the spring, then-chair David Brine, Q.C., stepped down from his position when he was appointed a Master of the Supreme Court of British Columbia, and he was succeeded by Victoria Gray, Q.C. She, in turn, resigned her position as chair of the board after she was appointed a judge of the Supreme Court of British Columbia in the fall. The foundation is grateful to Master Brine and Madam Justice Gray for their many years of service on the board, and we look forward to working with Madam

Justice Gray next year, since she will continue to serve as a governor in 2002.

I want to express my appreciation to the other governors of the foundation, who have all volunteered many hours and weekends to carry out our work. The foundation is grateful to Azim Dato, Q.C., of Nanaimo and Patricia Boyd of Invermere, who concluded their terms with the foundation in 2001, for the significant contributions they made as governors. The foundation welcomes to the board Barbara Cromarty of Trail, Christine Elliot of Vancouver and J. Parker McCarthy, Q.C., of Cobble Hill.

I also want to extend my special thanks to Alison MacPhail, the Attorney General's designate, for her substantial contributions and support of the Law Foundation's work. Replacing Ms. MacPhail, whose term also ended in 2001, is M. Jerry McHale, Q.C.

Finally, I wish to thank the staff of the foundation, who efficiently administer the day-to-day work of handling the foundation's applications, grants and revenues, and provide excellent support to the board in carrying out our responsibilities.

It is with great regret that we said goodbye to Pat Pitsula, who resigned her position as executive director of the Law Foundation at the end of the year. Pat was with the foundation for 14 years, first as a program director and, from 1998, as executive director. We were indeed fortunate to have Pat as an employee. At all times, she performed her duties with the utmost dedication and integrity. Her commitment to the foundation's purposes and to the principles of equity and access to justice served as a model for all to follow. No detail or problem of the foundation or any grantee was too small for her to deal with and no challenge too

great for her to tackle. Both board and staff will truly miss her leadership.

I would like to take the opportunity to welcome Wayne Robertson as the new executive director of the Law Foundation, beginning in January 2002. Mr. Robertson's most recent position was as client services manager at the Legal Services Society's head office in Vancouver. Mr. Robertson has extensive management experience and is also a certified family law mediator and an accomplished family law litigation lawyer.

He has also served as a volunteer in many community and non-profit organizations and previously chaired the boards of the Community Legal Assistance Society and Canadian Crossroads International. We are indeed fortunate to have found such a qualified person to assume this challenging position in such a difficult time.

As I write this report early in 2002, the foundation is faced with significant financial uncertainties and appears to be entering a difficult year, which will bring many challenges, as are many of the community and other groups we have provided funding to for many years. I believe we will be able to rise to these challenges, and we will become a stronger organization as a result. The board of governors remains committed to the principle of supporting programs that advance and promote the rule of law and a just society through the mandate given to us in the Legal Profession Act. We intend to work closely with the legal profession and the agencies we fund to ensure that the foundation is able to continue fulfilling this important role in these very difficult times.

Don Silversides, Q.C.
Chair 2001

PROFILE

MISSION STATEMENT

To use our income for the benefit of the public of the province of British Columbia, by supporting programs which advance and promote the rule of law and a just society.

The MISSION STATEMENT and PROGRAM OBJECTIVES have been adopted by the board of governors as policy guidelines. These are the principles upon which funding decisions will be based.

PURPOSE

British Columbia led the way in 1969 when it established the first law foundation in North America. Since then, almost every other jurisdiction in North America has followed B.C.'s lead and established a law foundation.

The Law Foundation of B.C. is a non-profit foundation created by legislation to receive and distribute the interest on clients' funds held in lawyers' pooled trust accounts maintained in financial institutions. Pooled trust accounts are used to hold client funds for short periods of time, until it becomes feasible to distribute those monies to the client or others. Typically, funds held in this way are purchase monies in real estate transactions.

Because of the difficulty and cost of ascertaining how much interest in pooled trust accounts was attributable to each client's funds, and because the amount of interest related to each client was usually small, for many years financial institutions paid no interest on these accounts, although the total funds in the pooled account might be very substantial. As a result, the financial institutions profited from the use of the funds in the pooled trust accounts without charge.

British Columbia lawyers pioneered a change to this practice in 1969 when they persuaded the provincial government to enact legislation requiring financial institutions to pay interest on these pooled trust accounts to the Law Foundation, which was, in turn, to use the interest to benefit the public of British Columbia.

The legislation directed the Law Foundation to distribute these funds in five areas:

- legal aid,
- legal education,
- law reform,
- legal research, and
- law libraries.

The foundation recognizes that while its objects are legal in nature, the income is to be allocated to programs that will benefit the general public of British Columbia.

From its inception through 2001, the Law Foundation has approved grants totalling more than \$243 million to support important law-related programs in British Columbia.

ADMINISTRATION

The Law Foundation is administered by a board of governors (the "board"), which is responsible for making all decisions concerning grants. It has 18 volunteer members:

- the Attorney General (or his/her appointee);
- 3 persons, not lawyers, appointed by the Attorney General;
- 12 members of the Law Society or the judiciary appointed by the benchers to represent geographical areas of the province; and
- 2 members of the Law Society appointed by the British Columbia Branch of the Canadian Bar Association.

The Law Foundation is independent of the government, the Law Society and the B.C. Branch of the Canadian Bar Association, although its governors are appointed by these bodies.

The board has three standing committees:

- Bursary, Scholarship and Fellowship
- Finance and Administration
- Policy and Planning

The board and the committees meet regularly during the year. An administrative staff of six assists the board.

HOW GRANTS ARE MADE

The Law Foundation's funds are used for the purposes of legal education, legal research, legal aid, law libraries and law reform. A grant application must fall within one or more of these categories to be considered for funding support and it must establish that it will result in a clear benefit to the people of British Columbia. Grants are normally restricted to non-profit organizations.

The foundation sets its grant budget and funding guidelines on an annual basis. Those seeking grant support are urged to discuss their proposals with foundation staff before committing time and resources to put together funding requests. If a project appears to fit within the mission statement, program objectives and funding guidelines for that year, a formal proposal with more detailed information will be requested.

Completed applications should be submitted at least ten weeks before a board meeting. Application deadline dates can be obtained by contacting the Law Foundation.

The Law Foundation of British Columbia
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Vancouver, B.C. V6B 5J3

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E-mail: lfbc@telus.net
Website: www.lawfoundationbc.org

PROGRAM OBJECTIVES

1. Legal Education

1. To promote legal education programs and services in British Columbia to make the law more accessible through:
 - a. increasing public awareness of the law and the justice system;
 - b. providing education to groups with particular legal needs; and
 - c. assisting in the academic and professional development of those providing legal services to ensure those services are of the highest quality.

2. Legal Research

1. To advance the knowledge of:
 - a. law;
 - b. social policy; and
 - c. the administration of justice through the identification of areas and issues needing study and analysis and the encouragement and support of projects to address those needs.

3. Law Reform

1. To encourage and support projects promoting changes to law and the administration of justice in accord with current knowledge, values and technology.

4. Legal Aid

1. To assist in the provision of legal services, including:
 - a. advice to and representation of economically disadvantaged persons; and
 - b. support of community service and non-profit organizations which address issues that benefit groups of disadvantaged persons or the public.
2. To facilitate access of the public to the justice system.

5. Law Libraries

1. To assist law libraries and resource centres to keep their materials current.
2. To encourage and support projects designed to improve the utility and accessibility to both the legal profession and the public of legal and law related materials.

PROGRAMS AND PROJECTS FUNDED IN 2001

For reporting purposes, the grants are listed in the Annual Report under one of the Law Foundation's five statutorily mandated objectives. However, many of the organizations' activities fall under more than one of the mandated areas.

2001 LEGAL AID GRANTS

Legal Services Society

Support for criminal, family and essential legal services and legal education for low-income and aboriginal people **\$3,272,500**

Community-Based Advocacy

Abbotsford Community Services Society/Progressive Intercultural Community Services Society

Support for a lay advocacy program providing legal information and assistance to seasonal farmworkers in Surrey and the Fraser Valley **\$90,000**

Active Support Against Poverty

Support for a lay advocacy program providing legal information and assistance to low-income people in the Prince George area **\$52,400**



Margaret Birrell, B.C. Coalition of People with Disabilities and Henk Bekkering, Active Support Against Poverty

Battered Women's Support Services

Support for a lay advocacy program providing legal information and assistance to battered women in the Lower Mainland **\$46,800**

B.C. Coalition of People with Disabilities

Support for province-wide lay advocacy, legal information and referral services for people with disabilities **\$136,900**

B.C. Human Rights Coalition

Support for a province-wide human rights advocacy and education program **\$132,300**

Contact Women's Group Society

Support for a lay advocacy program providing legal information and assistance to low-income people in the Williams Lake area **\$40,000**

Cranbrook Women's Resource Centre/Kootenay Community Law Centre

Support for a lay advocacy program providing legal information and assistance to low-income people in the Kootenays **\$81,102**

Downtown Eastside Residents Association

Support for a lay advocacy program providing legal information and assistance to residents of Vancouver's Downtown Eastside **\$103,300**

Downtown Eastside Women's Centre

Support for a lay advocacy program providing legal information and assistance to women in Vancouver's Downtown Eastside **\$33,000**

Golden Family Center

Assistance in winding down the operations of a lay advocacy program providing legal information and assistance to low-income people in the Golden area **\$17,000**

Justice for Girls Outreach Society

Support for a lay advocacy program providing legal information and assistance to low-income, street-involved teenage girls in Vancouver **\$66,103**

Kettle Friendship Society

Support for a mental health lay advocacy program providing legal information and assistance on residential/tenancy and child protection matters in the Lower Mainland **\$70,000**

Ki-Low-Na Friendship Society

Support for a lay advocacy program providing legal information and assistance to urban aboriginal people in the Central Okanagan **\$75,000**



Roopchand Seebaran, Law Foundation governor, and Assunta Rosal, Ki-Low-Na Friendship Society

PROGRAMS AND PROJECTS FUNDED IN 2001

Kootenay Region Métis Association

Support for a lay advocacy program providing legal information and assistance on family law to aboriginal people in the Kootenays **\$73,600**

MOSAIC

Support for a lay advocacy program providing legal information and assistance to low-income immigrants and refugees in the Lower Mainland **\$73,700**

Nelson District

Community Resources Society

Support for a lay advocacy program providing legal information and assistance to low-income people in the West Kootenay region **\$105,400**

North Island

Advocacy Coalition Society

Support for a lay advocacy program providing legal information and assistance to low-income people in the Campbell River area **\$84,600**

Port Alberni Friendship Centre

Support for a lay advocacy program providing legal information and assistance to people with disabilities and mental health issues in the Port Alberni region **\$58,960**



Violet Wishart, Port Alberni Friendship Centre, and Heather Raven, Law Foundation governor

Separation and Divorce Resource Centre

Support for a volunteer program assisting unrepresented people in Family Court in Greater Victoria and providing basic family law information to low-income people **\$40,600**

South Surrey/White Rock

Women's Place

Support for a lay advocacy program providing legal information and assistance on family law to women in the South Surrey/White Rock area **\$40,000**

Tenants' Rights Action Coalition

Support for a province-wide legal information service on tenancy matters **\$218,600**

Together Against Poverty Society

Support for a lay advocacy program providing legal information and assistance to low-income people in the Greater Victoria area **\$54,500**

UBC Law Students'

Legal Advice Program

Support for a law students' legal advice program operating free clinics in the Greater Vancouver area **\$121,000**

University of British Columbia,

Faculty of Law, First Nations

Clinical Program

Support for a clinical program for law students providing legal services to First Nations people in the Lower Mainland **\$65,500**

University of Victoria, Faculty of Law, Law Centre Clinical Program

Support for a clinical program providing legal services to low-income people in the Greater Victoria area **\$203,400**

Vancouver Mental Patients' Association

Support for a courtworkers program to assist mentally disordered people in the criminal justice system **\$45,000**

West Coast Domestic Workers' Association

Support for a specialized advocacy service and legal education program for domestic workers **\$133,800**

Public Interest Test Case Litigation

B.C. Civil Liberties Association

Support for the association's work protecting the civil liberties and human rights of British Columbians through test case litigation, legal education and law reform **\$159,300**

B.C. Public Interest Advocacy Centre

Support for the centre's work representing the public interest in regulatory matters and test cases on behalf of disadvantaged people before courts and administrative tribunals **\$486,800**

Community Legal Assistance Society

Support for the society's programs providing legal assistance to disadvantaged individuals and the groups who represent them, and for developing law that will benefit disadvantaged groups as a whole **\$654,500**

West Coast

Environmental Law Association

Support for the association's programs representing the public interest in environmental legal matters through law reform, legal education, legal aid and a library collection **\$705,900**

PROGRAMS AND PROJECTS FUNDED IN 2001

West Coast Legal Education and Action Fund Association

Support for the association's work advancing equality for women through legal education, law reform and test case litigation **\$111,700**

Other Legal Aid



Frank Kraemer, executive director, Canadian Bar Association, B.C. Branch

B.C. Branch, Canadian Bar Association, Lawyer Referral Program/ Dial-a-Law
Support for the Lawyer Referral Program, a province-wide telephone service to help the

public obtain low-cost legal information and assistance

Support for Dial-a-Law, a province-wide telephone service providing free legal information to the public **\$241,600**

Law Society of B.C. and the Canadian Bar Association (B.C. Branch)

Support over three years to establish a secretariat that will co-ordinate the promotion and delivery of *pro bono* legal services in B.C. **\$225,000**

2001 LEGAL EDUCATION GRANTS

Professional Legal Education

Continuing Legal Education Society of B.C.

Support for the Professional Legal Training Course, a skills-based training program for recent law school graduates, to develop competent lawyers to serve the public **\$233,800**

Law Foundation Graduate Fellowships

Support for graduate legal work by B.C. lawyers and graduate law students **\$55,000**

Open Learning Agency

Support for developing an interactive web-based course for court interpreters to build legal interpreting capacity in rural and smaller communities across B.C. **\$197,640**

University of British Columbia, Faculty of Law

Graduate fellowships **\$59,800**
Undergraduate scholarships **\$29,000**
Project grants **\$25,000**
Entrance bursaries for disadvantaged students **\$13,500**

University of Saskatchewan, Native Law Centre

Support for the centre's pre-law program for aboriginal students and for its library and publications **\$10,300**

University of Victoria, Faculty of Law

Entrance and renewal scholarships **\$29,000**
Project grants **\$25,000**

Public Legal Education

Abbotsford Community Services Society

Support for a three-year project providing legal education to both crop growers/employers and seasonal farm-workers in the Fraser Valley to encourage greater voluntary compliance with employment standards and human rights legislation **\$350,000**

B.C. Association of Specialized Victim Assistance and Counselling Programs

Support for a three-year project to co-ordinate responses among the justice system, health authorities and community agencies to ensure an effective response to violence against women in local communities **\$451,300**

B.C. Branch, Canadian Bar Association

Support for Law Week public legal education activities **\$5,500**

B.C. Coalition to Eliminate Abuse of Seniors

Support for a three-year project to develop a network of legal resources to serve seniors throughout B.C. **\$90,000**

Christian Task Force on Central America

Support for a three-year project to develop legal information and resources to make the law on child protection more accessible to families and service providers in the Latin American community in the Lower Mainland **\$240,000**



Manpreet Grewal and Susan Underwood, Abbotsford Community Services Society

PROGRAMS AND PROJECTS FUNDED IN 2001

Debate and Speech Association of B.C.

Support for high school students participating in the province-wide Law Foundation Cup Debates on legal topics **\$14,300**

End Legislated Poverty

Support for a provincial newsletter on poverty law issues and monthly meetings of advocates working on such issues **\$19,500**

En'owkin Centre

Support for a three-year project to develop restorative justice programs and a legal education extension program for aboriginal people in the Okanagan region **\$229,500**

Healthy Fort Nelson Society

Support for research, planning and development towards a fetal alcohol syndrome and the justice system pilot project relevant to northern communities **\$15,000**

Law Courts Education Society

Support for a legal information program for First Nations youth in Prince George and the surrounding communities **\$60,800**

Law Foundation Lay Advocacy Training

Support for educating and training Law Foundation-funded lay advocates **\$34,600**

Legal Services Society

Support for PovNet, a poverty law website, e-mail groups and databases intended to provide advocates with access to current legal information about welfare, housing, employment and other poverty law issues **\$55,000**

Native Courtworkers and Counselling Association of British Columbia

Support for the development of a specialized database containing comprehensive information on the subject of aboriginal restorative justice **\$134,520**

People's Law School Society

Support for the society's province-wide legal information and education programs **\$262,400**

Public Service Ads

Placement of public service ads in yellow page directories informing the public about legal aid services, free legal information and how to find a lawyer **\$71,100**

Surrey Delta Immigrant Services Society

Support for a two-year project to provide information about seniors' abuse to immigrant seniors in the Surrey Delta region **\$353,589**

Tsawwassen First Nation

Support for research, planning and development towards family law advocacy services for aboriginal people in the South Fraser region **\$10,000**

2001 LAW LIBRARY GRANTS



Sylvia Teasdale, chief librarian and executive officer, B.C. Courthouse Library Society

B.C. Courthouse Library Society

Support for the operating costs of the society and the province's courthouse law libraries **\$2,403,350**

Law Society of B.C.

Support for the operating costs of the CANLII Virtual Law Library **\$65,000**

2001 LEGAL RESEARCH GRANTS

Canadian Human Rights Reporter

Support for a three-year legal research, education and law reform project to advance the knowledge of poverty as a human rights issue **\$493,500**

Fraserside Community Services Society

Support for a three-year legal research and education project to conduct a safety audit of police, Crown and probation processes to determine whether current processes and procedures in the criminal justice system enforce or detract from the safety of women who have experienced violence in relationships **\$110,447**

2001 LAW REFORM GRANTS

B.C. Freedom of Information and Privacy Association

Support for a law reform, legal research and education program focusing on freedom of information and privacy legislation **\$20,800**

B.C. Law Institute

Support for the institute's law reform work **\$140,300**



December 31, 2001

To the Governors
The Law Foundation of British Columbia

We have audited the statement of financial position of The Law Foundation of British Columbia as at December 31, 2001 and the statements of changes in net assets, income and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's Governors. 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 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2001 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Joyline Wozny, Miller & Co.

Chartered Accountants
Vancouver, Canada
February 1, 2002

TOMPKINS, WOZNY, MILLER & CO.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN NET ASSETS

The Law Foundation of British Columbia

The Law Foundation of British Columbia

As at December 31

Year ended December 31

	2001 \$	2000 \$
ASSETS		
Cash	40,068	146,344
Short-term investments [note 4]	1,291,974	1,508,916
Long-term investments [note 5]	34,555,462	33,492,652
Accrued interest receivable	424,442	400,244
Prepaid expenses and other	11,074	9,134
Capital assets [note 6]	43,528	53,588
	36,366,548	35,610,878

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	138,246	82,487
Grants payable within one year	12,814,546	13,280,501
Long-term grants payable [note 7]	3,167,207	3,316,536
Total liabilities	16,119,999	16,679,524

Net assets

Grant stabilization reserve [note 8]	20,203,021	18,877,766
Equity in capital assets	43,528	53,588
Total net assets	20,246,549	18,931,354
	36,366,548	35,610,878

Additional funding commitments – \$10,511,300 [note 9]

Lease commitment [note 14]

See accompanying notes

Approved by:


Governor


Governor

	Equity in Capital Assets \$	Grant Stabilization Reserve \$	Net Assets \$
2001			
Balance, beginning of year	53,588	18,877,766	18,931,354
Increase (decrease) in net assets for the year	(17,311)	1,332,506	1,315,195
Acquisition of capital assets	7,251	(7,251)	—
	43,528	20,203,021	20,246,549

2000

Balance, beginning of year	30,041	16,677,484	16,707,525
Increase (decrease) in net assets for the year	(19,381)	2,243,210	2,223,829
Acquisition of capital assets	42,928	(42,928)	—
	53,588	18,877,766	18,931,354

See accompanying notes

STATEMENT OF INCOME AND EXPENSES

STATEMENT OF CASH FLOWS

The Law Foundation of British Columbia

Year ended December 31

	2001 \$	2000 \$
INCOME		
Interest received on lawyers' trust accounts	14,147,282	17,900,898
Investment income [note 10]	2,325,889	3,366,535
Unclaimed trust funds [note 11]	54,595	362,153
	16,527,766	21,629,586
EXPENSES [note 12]		
Audit and annual report	24,038	17,982
Consulting and legal	111,707	40,031
Custodial fees	19,211	17,651
Investment advisory fees	74,271	66,851
Meetings and travel	94,821	78,111
Office	42,438	47,880
Rent and occupancy costs	61,622	58,441
Salaries and employee benefits	393,224	424,401
Amortization of capital assets	17,311	19,381
	838,643	770,729
Net income before grants approved	15,689,123	20,858,857
Grants approved [note 13]	14,428,411	18,785,765
Less grants refunded or unused	54,483	150,737
	14,373,928	18,635,028
Increase in net assets for the year	1,315,195	2,223,829

See accompanying notes

The Law Foundation of British Columbia

Year ended December 31

	2001 \$	2000 \$
OPERATING ACTIVITIES		
Interest received on lawyers' trust accounts	14,147,282	17,900,898
Interest received on investments	2,052,555	1,608,228
Unclaimed trust funds received	54,595	362,153
Expenses paid	(767,513)	(773,301)
Grants paid, net of grants returned	(14,989,212)	(11,352,478)
Cash provided by operating activities	497,707	7,745,500
INVESTING ACTIVITIES		
Capital assets purchased	(7,251)	(42,928)
Purchase of long-term investments, net of proceeds on sale	(813,674)	(6,869,868)
Cash used in investing activities	(820,925)	(6,912,796)
Increase (decrease) in cash and cash equivalents for the year	(323,218)	832,704
Cash and cash equivalents, beginning of year	1,655,260	822,556
Cash and cash equivalents, end of year	1,332,042	1,655,260
Cash and cash equivalents are comprised of:		
Cash	40,068	146,344
Short-term investments	1,291,974	1,508,916
	1,332,042	1,655,260

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. NATURE OF ACTIVITIES

The Law Foundation of British Columbia (the "foundation") was established in 1969 under the Legal Profession Act of British Columbia as a not-for-profit organization to receive and distribute interest on clients' trust funds held in lawyers' pooled trust accounts. The foundation is administered by a board of governors who are responsible for distributing these funds to organizations providing legal aid, legal research, law reform, legal education and law libraries for the benefit of the general public of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Basis — Interest on Lawyers' Pooled Trust Accounts

The foundation uses the cash basis of reporting interest earned on lawyers' pooled trust accounts.

The foundation assumes that solicitors who hold funds in trust for or on account of clients comply strictly with Section 62 of the Legal Profession Act and Part 3 Division 7 of the Rules of The Law Society of British Columbia. These rules require that interest earned on funds held in lawyers' pooled trust accounts be remitted to the foundation.

Capital Expenditures

All capital expenditures are capitalized and amortized on a straight-line basis as follows:

■ Leasehold improvements	8 years
■ Furniture and equipment	5 years
■ Computers and accessories	3 years

Leasehold improvements are amortized over the term of the lease. For other assets, one-half the normal amortization is recorded in the year an asset is acquired.

Investment Income and Operating Expenses

Investment income and operating expenses are accounted for on an accrual basis. Discounts and premiums on interest-bearing investments and Government of Canada strip bonds are taken into income over the term of the investments, on a straight-line basis or net-yield basis.

Grants Approved and Grants Payable

The foundation expenses grants that are payable from current and prior year's income in the year the grants are approved. Those grants that are not yet paid are reflected as grants payable.

Funding Commitments

The foundation reflects funding commitments that are expected to be paid from future revenues by an informational note. In the event

that future revenues are insufficient to cover these commitments, the foundation may approve a charge against the grant stabilization reserve.

Investments

Investments are recorded at the lower of cost or market value. Gains from increases in the market value of long-term investments are recorded as realized. Losses arising from reductions in the market value of long-term investments are recognized when the market value of corporate bonds and debentures falls below their cost, or when the market value of government bonds falls below their cost, on a segmented basis.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from the estimates.

3. FINANCIAL INSTRUMENTS

The foundation's financial instruments consist of its cash, short-term and long-term investments, grants payable and accounts payable. The foundation is subject to credit risk on its corporate investments, and interest and market risk on its short-term and long-term corporate and government bonds, which are carried at the lower of cost or market value. In the opinion of management, the foundation is not otherwise exposed to any significant risk with respect to its financial instruments.

4. SHORT-TERM INVESTMENTS

All short-term investments fall due within fifty-nine days.

	Due Dates	Cost \$	Market Value \$
2001			
Government treasury bills, average yield 2.61%	2002	1,277,396	1,277,396
Other		14,578	14,578
		1,291,974	1,291,974
2000			
Government treasury bills, average yield 5.61%	2001	1,504,052	1,504,052
Other		4,864	4,864
		1,508,916	1,508,916

NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM INVESTMENTS

	Due Dates	Cost \$	Market Value \$
2001			
Corporate bonds and debentures	2008 to 2031	8,723,130	8,652,936
Write-down to lower of cost or market value		(70,194)	—
Lower of cost or market value		8,652,936	8,652,936
Government bonds	2014 to 2029	25,902,526	26,122,573
		34,555,462	34,775,509
2000			
Corporate bonds and debentures	2006 to 2029	6,626,781	6,458,042
Write-down to lower of cost or market value		(168,739)	—
Lower of cost or market value		6,458,042	6,458,042
Government bonds	2014 to 2029	27,034,610	27,376,916
		33,492,652	33,834,958

The interest rates on long-term investments, based on their par value, range from 5.8% to 10.3% with an approximate average rate of 7.4% [2000 – 7.3%]. The average yield to maturity, based on market value, is 6.3% [2000 – 5.4%].

The foundation's investment policy was modified in 1997 to permit the acquisition of longer term bonds and debentures and to allow investment in equities, subject to the guidelines stated in the British Columbia Trustee Act.

Interest Rate Risk

The foundation is exposed to market risk from changes in interest rates with respect to its long-term fixed-interest government and corporate bonds and debentures. The foundation's investment policy does not provide for the use of derivative financial instruments to mitigate this risk.

If short-term rates go up, the loss in market value of the long-term investments should be more than offset by increased interest earnings on lawyers' pooled trust accounts.

6. CAPITAL ASSETS

	2001		2000	
	Cost \$	Net Book Value \$	Cost \$	Net Book Value \$
Leasehold improvements	32,460	25,698	32,460	29,754
Furniture and equipment	50,837	7,418	55,122	13,367
Computers and accessories	24,633	10,412	26,456	10,467
	107,930	43,528	114,038	53,588

7. LONG-TERM GRANTS PAYABLE

During 2000 and 2001, the foundation approved major one-time project grants with multi-year payment schedules. These grants, along with others to be disbursed beyond 2002, constitute long-term grants payable at December 31, 2001. The grants are estimated to be payable in the following years:

	2001 \$	2000 \$
2001	—	13,280,501
2002	12,814,546	2,142,976
2003	2,731,741	801,760
2004	261,885	198,219
2005	103,281	103,281
2006	70,300	70,300
	15,981,753	16,597,037
Less portion payable within one year	(12,814,546)	(13,280,501)
	3,167,207	3,316,536

8. GRANT STABILIZATION RESERVE

The foundation has established an annual grants budget with the goal of insulating continuing grantees (who can account for up to 97% of the grant dollars allocated) from volatile fluctuations in the foundation's income that result from changes in the prime rate and the balances in lawyers' pooled trust accounts which generate income to the foundation.

The reserve functions as a stabilization fund, which declines in years in which the foundation's income is less than the grants approved. Significant reductions in the foundation's income, caused by declining prime rates, resulted in the foundation drawing down the reserve by \$7.6 million from 1990 to 1997.

The foundation was able to add \$7.1 million back to the reserve from 1998 to 2000, when the prime rate was increasing, and a further \$1.3 million in 2001. Although there were dramatic decreases in the prime rate and revenues in 2001, the reserve increased and should enable the foundation to maintain existing funding for continuing grantees in 2002, provided the foundation does not suffer a substantial decrease in either its reserve or its revenues.

9. ADDITIONAL FUNDING COMMITMENTS

In 2000 and 2001, the board of governors approved a moratorium on the renewal funding application process for most of the continuing grantees who are effective, financially well managed, and not in the process of major transition.

The moratorium modified the application and adjudication process. The 2001 and 2002 grants for all eligible continuing grantees, which represent grant funding for their 2003 or 2004 [2000 – 2002 or 2003] fiscal year, were approved at the November 2000 and 2001 board of governors meeting. The grants were stated as a firm commitment, provided the foundation does not suffer a substantial decrease in

NOTES TO FINANCIAL STATEMENTS

either its reserve or its revenues. As a result, the foundation has a funding commitment of \$10,511,300 at December 31, 2001 [2000 – \$9,974,500]. The 2001 commitments are expected to be paid in the following foundation fiscal years:

	\$
2002	2,652,483
2003	7,003,697
2004	855,120
	10,511,300

10. INVESTMENT INCOME

Investment income comprises:

	2001 \$	2000 \$
Interest earned	2,011,184	1,813,664
Recovery of long-term investments to lower of cost or market value	98,945	1,662,994
Gain (loss) on sale of investments	215,760	(110,123)
	2,325,889	3,366,535

In 1999, rising short-term interest rates caused the market value of the foundation's long-term investments to fall below their cost. This resulted in a write-down of the long-term investments to market value.

During 2000 and 2001, decreasing short-term interest rates resulted in an increase in the market value of the foundation's long-term investments. As a result of the increased market value in 2000 and 2001, there was a recovery of the 1999 write-down. As of December 31, 2001, \$70,194 of the original \$1,831,732 write-down has not yet been recovered.

11. UNCLAIMED TRUST FUNDS

Under the Law Society of British Columbia's (the "society") unclaimed trust fund procedures, lawyers submit unclaimed trust funds to the society. The society holds the funds for five years before remitting the money to the foundation. The large receipt of unclaimed trust funds in the 2000 fiscal year arose from a reduction in the holding period from ten years to five years.

12. ADMINISTRATION EXPENSES AS A PERCENT OF GRANTS APPROVED

	Administration Expenses \$	Grants Approved \$	Percent %
2001	838,643	14,428,411	6%
2000	770,729	18,785,765	4%
1999	672,709	12,554,198	5%
1998	576,621	9,997,862	6%
1997	627,226	10,062,725	6%

13. GRANTS APPROVED

	2001 \$	2000 \$
Legal Services Society of B.C. – operating grant	3,272,500	2,975,000
B.C. Courthouse Library Society – operating grant	2,190,200	2,050,200
Other continuing grants	5,892,065	4,710,633
Major project grants	2,810,496	6,447,076
Other	263,150	2,602,856
	14,428,411	18,785,765

14. LEASE COMMITMENT

In addition to shared building operating costs and property taxes, the foundation is committed to annual rent payments until April 30, 2008 for the rental of its office premises. The lease can be cancelled after April 2005 by payment of a penalty of \$4 per square foot, prorated to the end of the term. The required payments are as follows:

	Annual Rent Payments \$	Total Rent Commitment \$
2002 – 2007	27,968	167,808
2008 (4 months)	14,916	14,916
		182,724

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BOARD OF GOVERNORS

As of December 31, 2001

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Chair of the Policy and
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Ex-officio member of all committees

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Finance and Administration Committee

Peter Warner, Q.C.

Finance and Administration Committee

*As Chairs of the Law Foundation during
2001, Master David Brine and Madam
Justice Victoria Gray were also ex-
officio members of all committees.

STAFF MEMBERS

As of December 31, 2001

karima budhwani Program Director

Carol Jones Administrative Assistant

Jo-Anne Kaulius Controller

Daphne Morrison Program Director

Pat Pitsula Executive Director

Amy Tam Administrative Assistant

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