

2003

ANNUAL REPORT 2003

REPORT FROM THE CHAIR

In 2003, the Law Foundation of British Columbia approved 114 grants totalling \$13.5 million, of which \$11.3 million was allocated to 54 continuing programs and \$2.2 million to 60 one-time projects.

Many of these grants helped fund initiatives designed to make the law and justice system more accessible to the people of British Columbia, particularly those who have the greatest difficulties with access



Don Silversides, Q.C.

to justice. As well, grants supported legal education, legal research, law reform and law library initiatives.

The board of governors continued to give priority to core funding for programs and services. Governors were pleased to be able to maintain core funding in 2003, despite continued low interest rates. Governors also continue to recognize the importance of responding to emerging legal needs in the province through project funding.

Report from the Chair

Grants for 60 initiatives were approved in 2003, including significant initiatives in the areas of public legal education and community-based legal aid.

The foundation recognizes and endeavours to be responsive to the diverse public of British Columbia and, in doing so, considers that diversity includes age, different abilities, socio-economic level, education, ethnicity, language, family, gender, marital/relationship status, race, religion, work experience, geographic size and location, and sexual orientation. The Law Foundation's *Diversity Profile of British Columbia*, which was updated in 2003 to include 2001 census data, provides information on all of these areas of diversity and serves as a resource that the foundation can use to fulfill its mission. We hope this profile will also encourage funded groups and assist others to be more reflective and responsive to the diverse communities they serve.



Governors continued their efforts to support foundation-funded groups and others in the community through capacity building and other assistance. Of particular importance were the executive directors' roundtable and

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the advocacy training conference, both held in December.

The executive directors' roundtable was an opportunity for the executive directors of all organizations who receive continuing funding from the Law Foundation to meet. At that meeting, the Law Foundation announced its funding strategies review. This ongoing review of all core and project funding is being undertaken to ensure the continued alignment of Law Foundation funding with its mission and to optimize its grant making. The Law Foundation wants to use its limited resources to maximize the benefits to the public and the legal profession in its five mandated areas. Its aim is to enable people in British Columbia to have access to the best legal education, legal research, legal

aid, law reform and law libraries that its resources can provide.

The review will examine how well funds are being spent in relation to the Law Foundation's statutory mandate, whether funded programs are meeting the needs of the public and the legal community, and whether the grant amounts are appropriate. The Law Foundation does not anticipate that the review will result in significant or immediate reallocation of continuing program grants. Adjustments may, however, be necessary if the review, to take place over the next three years, suggests funding distribution improvements or identifies new priorities.

This funding review in no way diminishes the Law Foundation's support for continuing programs. The governors of the Law Foundation maintain a strong commitment to the principle of stability through core funding and will continue to provide such support.

A significant Law Foundation funding initiative over the past year was the recognition by governors that poverty law advocacy services were a significant legal aid need in the province. As a result, the Law Foundation established a process to identify communities where the need was most acute and identified groups in those communities who would best be able to manage such programs. In the end, governors were pleased to provide funding for two-year poverty law advocacy projects in Dawson Creek, Haida Gwaii, Hazelton, Kamloops, Lillooet, Merritt, Nanaimo, Penticton and Prince Rupert.

The most significant challenge the Law Foundation faced in 2003 was

low interest rates. The foundation's income from interest earned on lawyers' pooled trust accounts depends upon the total balances held in lawyers' trust accounts in British Columbia, the prime interest rate and the agreements negotiated with financial institutions.

Pooled trust account balances were high in 2003, which meant that the foundation did not have to draw down its grant stabilization reserve at all. Interest rates, however, remain low, and based on the most recent advice received from economists we consult, the foundation is facing a significant decrease in income for 2004, to less than \$9 million. As a result, in 2004, it is anticipated that the Law Foundation will have to draw down a very substantial portion of the grant stabilization reserve, perhaps as much as \$4 million. This is due to predicted ongoing very low interest rates. By drawing down the reserve, the 2004 budget will allow governors to continue to provide funding stability for 54 programs by continuing their core funding at the same level as 2003, and provide modest funding for new projects.

In 2003, of the major financial institutions, the foundation received competitive rates of return from Vancouver City Savings Credit Union, HSBC Bank Canada, Royal Bank of Canada, Bank of Montreal, Coast Capital Savings Credit Union, TD Canada Trust and Bank of Nova Scotia. We commend all of those financial institutions that provide a competitive rate of return on lawyers' pooled trust accounts and thank members of the profession who choose institutions accordingly.

The year 2003 saw changes in the board of governors as two governors completed their terms on December 31: Sholto Heberton, Q.C., of the law firm of McCarthy Tétrault, and myself. Governor Heberton served on the finance and administration committee, the bursary, scholarship and fellowship committee, and the policy and planning committee and was the chair of both the special needs fund committee and the new grants committee. We all share a debt of gratitude to Governor Heberton for his contribution to the foundation, both while serving as a governor and also further in the past. Governor Heberton was instrumental in establishing the Law Foundation in 1969 and developing its mission and mandate in the early 1970s.

The most significant challenge the Law Foundation faced in 2003 was low interest rates.

At their meeting in November, the governors of the Law Foundation elected Professor Heather Raven of Victoria as chair of the board of governors of the Law Foundation of BC. Professor Raven (Nakasheohow) is a member of the Broken Head Ojibway First Nation, located in Manitoba. She has degrees in history and law from the University of British Columbia and has been a professor in the Faculty of Law at the University of Victoria since 1992. She directs the academic and cultural support program and teaches

employment law, corporate law, legal process, legal mootings and Aboriginal law. Prior to 1992, she worked as a labour and litigation lawyer in Vancouver. She has been a governor of the foundation since 1999, has served on the new grants, personnel and funding strategies committees, and has been chair of the policy and planning committee. Professor Raven has served on the British Columbia Police Commission, the Public Service Appeal Board, and the boards of the *Canadian Journal of Women and the Law*, the Environmental Law Centre and the Victoria Law Centre. I am pleased to welcome Professor Raven to her new post and also to welcome new governors Linda Parsons of Davis and Company in Vancouver and Suzette Narbonne of Prince Rupert to the board of governors for 2004.

In leaving, I want to express my appreciation to the governors of the foundation, who have volunteered many hours and weekends to carry out our work. I also wish to thank the foundation staff, who 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.



Don Silversides, Q.C.
Chair 2003

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 Law Foundation recognizes the diversity of the population of British Columbia and endeavours to be responsive to the diverse public of British Columbia in its workforce, board and grant making.

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 education,
- legal research,
- legal aid,
- law reform 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 2003, the Law Foundation has approved grants totalling more than \$268 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 four standing committees:

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

Profile and Program Objectives

The board and the committees meet regularly during the year. An administrative staff of seven 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 reform and law libraries. 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.

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of British Columbia
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E-mail: lfbc@tlfbc.org

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 justicethrough the identification of areas and issues needing study and analysis and the encouragement and support of projects to address those needs.

3. 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 that address issues that benefit groups of disadvantaged persons or the public.
2. To facilitate access of the public to the justice system.

4. Law Reform

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

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.



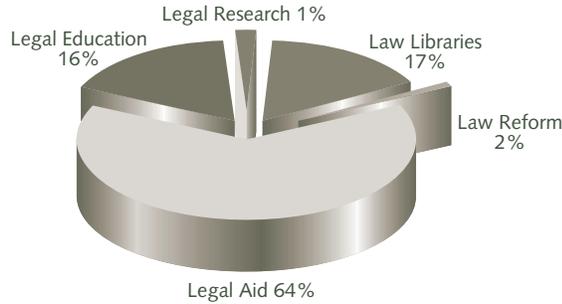
At the executive directors' roundtable in December 2003, from left to right: Gordon Hardy, People's Law School; Linda Mix, Tenants' Rights Action Coalition; Audrey Johnson, West Coast Women's Legal Education and Action Fund Association; Chris Rolfe, West Coast Environmental Law Association; Arthur Close, Q.C., B.C. Law Institute; and Audrey Schwartz, Active Support Against Poverty

Continuing Programs Funded in 2003

The Law Foundation provides support for the law-related programs and projects described in this section.

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

Grants are divided into 2003 Continuing Programs and 2003 Projects. Within each sub-section, grants are listed from highest to lowest dollar amounts, rather than alphabetically by name, as in past annual reports.



Grants Approved in 2003

Legal Education	\$ 2,154,875
Legal Research	50,000
Legal Aid	8,728,942
Law Reform	335,100
Law Libraries	2,270,200
Total	\$13,539,117

Total continuing program grants: \$11,328,505

Total project grants: \$2,210,612

LEGAL EDUCATION

Professional Legal Education

Law Society of B.C.

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

University of British Columbia, Faculty of Law

Graduate fellowships	\$60,000
Undergraduate scholarships	\$29,000
Entrance bursaries for disadvantaged students	\$13,500



Mary Anne Bobinski, dean, Faculty of Law, University of British Columbia

Law Foundation

Graduate Fellowships

Graduate legal work by B.C. lawyers and graduate law students **\$68,750**

University of Victoria, Faculty of Law Graduate Scholarship Program

\$30,000

Entrance and renewal scholarships

\$29,000

University of Saskatchewan, Native Law Centre

A pre-law program for Aboriginal students and the centre's library and publications

\$10,300

Public Legal Education

People's Law School Society

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**

Law Courts Education Society

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

Legal Services Society

PovNet, a poverty law website, e-mail groups and databases for advocates **\$55,000**

End Legislated Poverty

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

Debate and Speech Association of B.C.

The participation of high school students in the province-wide Law Foundation Cup Debates on legal topics **\$14,300**

B.C. Branch, Canadian Bar Association

Law Week 2003 public legal education activities **\$5,500**

LEGAL RESEARCH

University of British Columbia, Faculty of Law

Block grant for research projects **\$25,000**

University of Victoria, Faculty of Law

Block grant for research projects **\$25,000**

LEGAL AID

Legal Services Society

Support for the management of the B.C. legal aid plan and the provision of legal information to low-income people **\$3,272,500**

B.C. Branch, Canadian Bar Association
The Lawyer Referral Service, a telephone service to help the public obtain low-cost legal information and assistance; Law Week 2004 public legal education activities; and Dial-a-Law, a province-wide telephone service providing free legal information to the public **\$247,100**

Community-Based Advocacy

Tenants' Rights Action Coalition
A legal information service on tenancy matters **\$218,600**

University of Victoria, Faculty of Law, Law Centre Clinical Program
A clinical program providing legal services to low-income people in the Greater Victoria area **\$203,400**



Glenn Gallins, director, Law Centre Clinical Program, and Lindsay Cader, Law Centre student, admiring a plaque to commemorate Glenn's 25th anniversary with the Law Centre

B.C. Coalition of People with Disabilities
Lay advocacy, legal information and referral services for people with disabilities **\$136,900**

West Coast Domestic Workers' Association
A specialized advocacy service and legal education program for domestic workers **\$133,800**

Greater Vancouver Law Students' Legal Advice Program
A law students' legal advice program operating free clinics in the Greater Vancouver area **\$121,000**

Nelson District Community Resources Society
A lay advocacy program providing legal information and assistance to low-income people in the West Kootenay region **\$105,400**

Downtown Eastside Residents Association
A lay advocacy program providing legal information and assistance to residents of Vancouver's Downtown Eastside **\$103,300**

Abbotsford Community Services Society/Progressive Intercultural Community Services Society
A lay advocacy program providing legal information and assistance to seasonal farmworkers in Surrey and the Fraser Valley **\$90,000**

B.C. Coalition to Eliminate Abuse of Seniors
A lay advocacy program providing legal information and assistance to seniors throughout B.C. **\$90,000**

North Island Advocacy Coalition Society
A lay advocacy program providing legal information and assistance to low-income people in the Campbell River area **\$84,600**

Cranbrook Women's Resource Centre Society
A lay advocacy program providing legal information and assistance to low-income people in the East Kootenay region **\$81,102**

Ki-Low-Na Friendship Society
A lay advocacy program providing legal information and assistance to urban Aboriginal people in the Central Okanagan **\$75,000**

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

Kootenay Region Métis Association
A lay advocacy program providing legal information and assistance on family law to Aboriginal people in the Kootenays **\$73,600**

Kettle Friendship Society
A mental health lay advocacy program providing legal information and assistance on residential tenancy and child protection matters in the Lower Mainland **\$70,000**

Justice for Girls Outreach Society
A lay advocacy program providing legal information and assistance to low-income, street-involved teenage girls in Vancouver **\$66,103**

University of British Columbia, Faculty of Law, First Nations Clinical Program
A clinical program for law students providing legal services to First Nations people in the Lower Mainland **\$65,500**

Together Against Poverty Society
A lay advocacy program providing legal information and assistance to low-income people in the Greater Victoria area **\$59,500**

Continuing Programs Funded in 2003

Port Alberni Friendship Center

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

Active Support Against Poverty Society

A lay advocacy program providing legal information and assistance to low-income people in the Prince George area \$57,160

Battered Women's Support Services Association

A lay advocacy program providing legal information and assistance to battered women in the Lower Mainland \$50,480

Mental Patients' Association

A courtworkers' program to assist mentally ill people in the criminal justice system \$45,000

Separation and Divorce Resource Centre

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

Contact Women's Group Society

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

South Fraser Women's Services Society

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

Public Interest Test Case Litigation

West Coast Environmental Law Association

Law reform, legal education and legal aid programs and a library collection to represent the public interest in environmental legal matters \$705,900

Community Legal Assistance Society

Programs to provide legal assistance to disadvantaged individuals and the groups who represent them and to develop law that will benefit disadvantaged groups as a whole \$654,500

B.C. Public Interest Advocacy Centre

Representation of public interest in regulatory matters and test cases on behalf of disadvantaged people appearing before courts and administrative tribunals \$486,800

B.C. Civil Liberties Association

Test case litigation, legal education and law reform to protect the civil liberties and human rights of British Columbians \$134,300

West Coast Women's Legal Education and Action Fund Association

Legal education, law reform and test case litigation to advance equality for women \$111,700

LAW REFORM

B.C. Law Institute

Law reform activities leading to improvements in the law and the administration of justice \$140,300

B.C. Freedom of Information and Privacy Association

A program focusing on freedom of information and privacy legislation \$20,800

LAW LIBRARIES

B.C. Courthouse Library Society

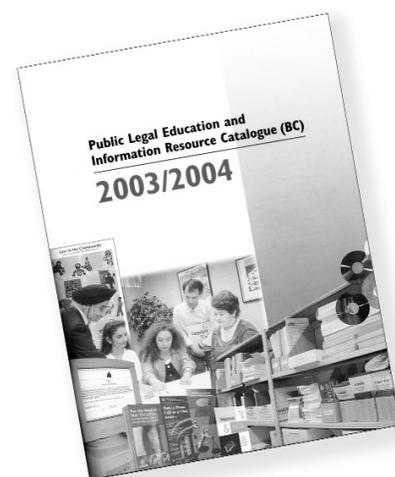
The society's operating costs for the province's 35 courthouse law libraries \$2,190,200

Law Society of B.C.

Contribution to the operating costs of the CANLII Virtual Law Library \$65,000

MISCELLANEOUS GRANTS

Support for 13 organizations to address emergent needs as recognized throughout the year, including transitional grants to the BC Human Rights Coalition and the Downtown Eastside Women's Centre; a grant to Wells Gray Community Resources Society for legal education workshops at the Rural Communities Summit; a grant to the University of British Columbia Faculty of Law to assist with the Jessup Moot Competition; and a grant to the Legal Services Society to help publish the *Public Legal Education and Information Resource Catalogue (BC) 2003/2004*. \$102,750



Projects Funded in 2003

LEGAL EDUCATION PROJECTS

Canadian Bar Association, B.C. Branch	\$75,000
Legal Services Society	\$75,000
411 Seniors Centre Society	\$70,000
Continuing Legal Education Society	\$65,000
Continuing Legal Education Society	\$55,000
Law Society of B.C.	\$55,000
University of British Columbia, Faculty of Law	\$55,000
University of Victoria, Faculty of Law	\$55,000
Tenants' Rights Action Coalition	\$50,500
MOSAIC	\$50,000
Kermod Friendship Society	\$40,000
Nanaimo Men's Resource Centre	\$35,000
People's Law School Society	\$33,819
Prince George Housing Coalition	\$28,625
B.C. Coalition of People with Disabilities	\$23,774
Law Courts Education Society	\$20,000
Jewish Family Service Agency of Vancouver	\$15,000
Voice of the Cerebral Palsied of Greater Vancouver ...	\$15,000
Planned Parenthood Association of B.C.	\$14,950
B.C. Iranian Seniors' Society	\$13,302
Women's Resource Society of the Fraser Valley	\$13,090
Central Okanagan Elizabeth Fry Society	\$12,535
West Coast Prison Justice Society	\$12,350
B.C. Freedom of Information and Privacy Association	\$10,000
Law Courts Education Society	\$10,000
Secwepemc Cultural Education Society	\$10,000
Chetwynd Women's Resource Centre	\$8,490
Lesbian and Gay Immigration Task Force	\$7,500
Tri-city Women's Resource Society	\$6,212
Vancouver Community Network	\$6,000
Surrey Women's Centre Society	\$5,780
John Howard Society of the Lower Mainland	\$5,700
Progressive Intercultural Community Services Society	\$5,000
Lower Similkameen Community Services Society	\$4,971
Cowichan Valley Intercultural and Immigrant Aid Society	\$4,500
Multicultural Helping House Society	\$4,000
Kamloops Bar Association	\$3,200

B.C. Settlement and Integration

Workers' Association	\$3,000
Wachiay Friendship Center	\$3,000

LEGAL AID PROJECTS

Poverty Law Advocacy Projects

Haida Gwaii Community Futures Development Corporation	\$100,000
Lillooet Friendship Centre	\$100,000
Nawican Friendship Center	\$100,000
Upper Skeena Counselling and Legal Assistance Society	\$100,000
Penticton and Area Women's Centre	\$99,724
Nanaimo Citizen Advocacy Association	\$80,250
Kamloops and District Elizabeth Fry Society	\$88,625
Nicola Valley Family Justice Services Society	\$85,715
Prince Rupert Unemployed Centre Society	\$34,000

Other Legal Aid Projects

Pro Bono Law of BC Society	\$75,000
BC Dispute Resolution Practicum Society	\$65,000
Community Legal Assistance Society	\$44,500
Social Planning and Research Council of BC	\$42,500
Sto:lo Nation	\$15,000
Greater Vancouver Law Students' Legal Advice Society	\$11,000

LAW REFORM PROJECTS

B.C. Law Institute	\$75,000
International Institute for Child Rights and Development	\$75,000
Pivot Legal Society	\$15,000
B.C. Association of Specialized Victim Assistance and Counselling Programs	\$9,000

LAW LIBRARY PROJECTS

B.C. Courthouse Library Society	\$15,000
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Note: Project grants are listed here but not described. If you have questions about these smaller grants or the project application process, please contact the Law Foundation.



December 31, 2003

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, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Joyline Wozny, Miller & Co.

Chartered Accountants

Vancouver, Canada

February 5, 2004

TOMPKINS, WOZNY, MILLER & CO.
Chartered Accountants

Statement of Financial Position

The Law Foundation of British Columbia

As at December 31

	2003	2002
	\$	\$
ASSETS		
Cash	130,499	35,408
Short-term investments [note 4]	1,376,174	1,319,512
Long-term investments [note 5]	30,346,565	30,132,416
Accrued interest receivable	304,936	329,104
Prepaid expenses and other	6,635	6,635
Capital assets [note 6]	58,489	41,485
	32,223,298	31,864,560
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	64,370	62,676
Grants payable within one year	11,060,646	11,810,990
Long-term grants payable [note 7]	1,331,186	1,344,219
Total liabilities	12,456,202	13,217,885
Net assets		
Grant stabilization reserve [note 8]	19,708,607	18,605,190
Equity in capital assets	58,489	41,485
Total net assets	19,767,096	18,646,675
	32,223,298	31,864,560

Lease commitment [note 12]

See accompanying notes

Approved by:



Governor



Governor

Statement of Changes in Net Assets

The Law Foundation of British Columbia

Year ended December 31

	Equity in Capital Assets	Grant Stabilization Reserve	Net Assets
	\$	\$	\$
2003			
Balance, beginning of year	41,485	18,605,190	18,646,675
Increase (decrease) in net assets for the year	(15,861)	1,136,282	1,120,421
Acquisition of capital assets	32,865	(32,865)	—
	58,489	19,708,607	19,767,096
2002			
Balance, beginning of year	43,528	20,203,021	20,246,549
Decrease in net assets for the year	(14,124)	(1,585,750)	(1,599,874)
Acquisition of capital assets	12,081	(12,081)	—
	41,485	18,605,190	18,646,675

See accompanying notes

Statement of Income and Expenses

The Law Foundation of British Columbia

Year ended December 31

	2003 \$	2002 \$
INCOME		
Interest received on lawyers' trust accounts	12,668,726	7,366,334
Investment income [note 9]	2,310,508	2,945,632
Unclaimed trust funds [note 10]	83,602	17,719
	<u>15,062,836</u>	<u>10,329,685</u>
EXPENSES		
Audit and annual report	28,734	22,218
Consulting and legal	19,349	24,791
Custodial fees	18,206	18,609
Investment advisory fees	68,784	68,957
Meetings and travel	119,534	94,684
Office	74,367	51,106
Rent and occupancy costs	63,314	61,891
Salaries and employee benefits	498,807	440,343
Amortization of capital assets	15,861	14,124
	<u>906,956</u>	<u>796,723</u>
Net income before grants approved	14,155,880	9,532,962
Program and project grants approved [note 11]	13,539,117	11,982,688
Less grants refunded or unused	503,658	849,852
	<u>13,035,459</u>	<u>11,132,836</u>
Increase (decrease) in net assets for the year	<u>1,120,421</u>	<u>(1,599,874)</u>

See accompanying notes

Statement of Cash Flows

The Law Foundation of British Columbia

Year ended December 31

	2003 \$	2002 \$
OPERATING ACTIVITIES		
Interest received on lawyers' trust accounts	12,668,726	7,366,334
Interest received on investments	1,881,154	2,197,926
Unclaimed trust funds received	83,602	17,719
Expenses paid	(889,401)	(853,728)
Grants paid, net of grants returned	(13,798,836)	(13,959,381)
Cash used in operating activities	<u>(54,755)</u>	<u>(5,231,130)</u>
INVESTING ACTIVITIES		
Capital assets purchased	(32,865)	(12,081)
Sale of long-term investments, net of purchases	239,373	5,266,089
Cash provided by investing activities	<u>206,508</u>	<u>5,254,008</u>
Increase in cash and cash equivalents for the year	151,753	22,878
Cash and cash equivalents, beginning of year	1,354,920	1,332,042
Cash and cash equivalents, end of year	<u>1,506,673</u>	<u>1,354,920</u>
Cash and cash equivalents are comprised of:		
Cash	130,499	35,408
Short-term investments	1,376,174	1,319,512
	<u>1,506,673</u>	<u>1,354,920</u>

See accompanying notes

Notes to Financial Statements

December 31, 2003

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	term of lease
■ Furniture and equipment	5 years
■ Computers and accessories	3 years

For capital assets, except leasehold improvements, 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 strip bonds are taken into income over the term of the investments, on a straight-line basis or net-yield basis.

Program and Project Grants Approved

The foundation expenses grants in the current year that provide annual operating funding to organizations covering twelve-month periods beginning in the current and subsequent calendar years, plus grants for special projects, which may be payable over several years. Those grants that are not yet paid are reflected as grants payable.

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 their market value falls below cost. When market values recover to cost, prior write-downs are reversed.

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.

Statement of Cash Flows

The statement of cash flows is prepared on a net cash basis and cash flows from operating activities are presented using the direct method.

3. Financial Instruments

The foundation’s financial instruments consist of its cash, accrued interest receivable, short-term and long-term investments, grants payable and accounts payable. The foundation is subject to market and credit risk on its accrued interest, short- and long-term investments, and interest rate risk as described in Note 5. In the opinion of management, the foundation is not otherwise exposed to any other significant risk with respect to its financial instruments.

Notes to Financial Statements

4. Short-Term Investments

	Due Dates	Cost \$	Market Value \$
2003			
Short-term investment funds and term deposits, average yield 2.80%	2004	1,374,036	1,374,036
Other		2,138	2,138
		1,376,174	1,376,174
2002			
Government treasury bills, average yield 2.68%	2003	1,316,883	1,316,883
Other		2,629	2,629
		1,319,512	1,319,512

The foundation's investment policy was modified in 2003 to allow the inclusion of mutual or pooled fixed income funds as short-term investments, now permitted in the guidelines stated in the British Columbia Trustee Act. Other minor changes to the policy were also made, prompted by the changes to the act.

5. Long-Term Investments

	Due Dates	Cost \$	Market Value \$
2003			
Corporate bonds and debentures	2012 to 2033	8,554,366	9,047,893
Government bonds	2011 to 2031	21,792,199	22,518,999
		30,346,565	31,566,892
2002			
Corporate bonds and debentures	2011 to 2030	8,567,302	8,789,241
Government bonds	2003 to 2031	21,565,114	22,186,149
		30,132,416	30,975,390

The interest rates on long-term investments, based on their par value, range from 5.8% to 9.0% with an approximate average rate of 6.7% [2002 – 6.8%]. The average yield to maturity, based on market value, is 5.9% [2002 – 5.9%].

Interest Rate Risk

The foundation is exposed to price risk arising from changes in interest rates with respect to its long-term investments. At certain times, if specifically approved by the finance committee, the foundation's investment policy provides 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

	2003		2002	
	Cost \$	Net Book Value \$	Cost \$	Net Book Value \$
Leasehold improvements	38,402	22,287	38,402	27,087
Furniture and equipment	44,004	29,731	17,517	7,097
Computers and accessories	21,080	6,471	25,962	7,301
	103,486	58,489	81,881	41,485

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 2003 grants to be disbursed in 2005, constitute long-term grants payable at December 31, 2003. The grants are estimated to be payable in the following years:

	2003 \$	2002 \$
2003	—	11,810,990
2004	11,060,646	1,170,638
2005	1,278,406	103,281
2006	52,780	70,300
	12,391,832	13,155,209
Less portion payable within one year	(11,060,646)	(11,810,990)
	1,331,186	1,344,219

8. Grant Stabilization Reserve

The foundation has established an annual grants budget with the goal of insulating continuing programs (that 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 \$8.4 million back to the reserve from 1998 to 2001, as the prime rate increased. In 2002, with the prime rate dropping to a historically low level, the foundation drew down the reserve by \$1.6 million to meet funding commitments.

In 2003, even though the prime rate for the year was only slightly higher than 2002, record high trust account balances enabled the foundation to fund additional project grants and still add \$1.1 million to the reserve.

9. Investment Income

Investment income comprises:	2003 \$	2002 \$
Interest earned	1,902,340	2,114,362
Recovery of long-term investments to lower of cost or market value	—	70,193
Gain on sale of investments	408,168	761,077
	2,310,508	2,945,632

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.

From 2000 to 2002, decreasing short-term interest rates resulted in an increase in the market value of the foundation's long-term investments. As a result of increased market values from 2000 to 2002, the 1999 write-down was fully recovered by December 31, 2002.

10. 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.

11. Program and Project Grants Approved

	2003 \$	2002 \$
Legal Services Society of B.C. — operating grant	3,272,500	3,272,500
B.C. Courthouse Library Society — operating grant	2,190,200	2,190,200
Other continuing program grants	5,865,805	6,046,065
Project grants	2,210,612	473,923
	13,539,117	11,982,688

12. 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, pro-rated to the end of the term. The required payments are as follows:

	Annual Rent Payments \$	Total Rent Commitment \$
2004 – 2007	27,968	111,872
2008 (4 months)	14,916	14,196
		126,788



BOARD OF GOVERNORS

As of December 31, 2003

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Finance and Administration Committee
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Diversity Committee
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Heather Raven
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Finance and Administration Committee
Funding Strategies Committee
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Not in photo:

Paul Love
Chair of the Funding Strategies Committee
Finance and Administration Committee
Policy and Planning Committee

STAFF MEMBERS

As of December 31, 2003

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Ewa Chang, Administrative Assistant
Jo-Anne Kaulius, Controller
Daphne Morrison, Program Director
Wayne Robertson, Executive Director
Veenu Saini, Program Director
Amy Tam, Administrative Assistant

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