

Annual Report 2004



Heather Raven, Chair



Report from the Chair

The year 2004 marked the 35th anniversary of the Law Foundation of British Columbia. On June 25, 2004, the foundation hosted a reception at the Law Courts Inn to celebrate. More than 150 people attended, including members of the judiciary and the bar, past and present governors and grantees.

In 1969, a small group of lawyers, led by Ken Meredith, later Mr. Justice Meredith, and Arthur Harper, Q.C., approached then-Attorney General Les Peterson, Q.C., with an idea that originated in Australia — that the interest earned on lawyers' pooled trust accounts should be used for the public good. Prior to this, no interest at all had been paid on these deposits. The Legal Profession Act of British Columbia was amended, and on April 2, 1969, the Law Foundation of B.C. was created, with Arthur Harper, Q.C., as the first chair.

The mandate of the foundation was, and is, to fund the following:

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

The Law Foundation of B.C. was the first law foundation in North America, and since 1969, the concept has spread so far that now a similar program exists in every province and state.

In 2004, the Law Foundation of B.C. approved 81 grants totalling \$12.4 million, of which \$11.4 million was allocated to 53 continuing programs and \$1 million to 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 to justice.

In view of the clear need for ongoing work in our five statutorily mandated areas, 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 2004, despite continued low interest rates.

2004 marked the 35th anniversary of the Law Foundation of British Columbia



Governors also continue to recognize the importance of responding to emerging legal needs in the province through project funding. In 2004, grants for 28 projects were approved, including significant initiatives in the areas of public legal education and community-based legal aid.

In 2004, governors continued their efforts to support foundation-funded groups and others in the community through capacity building and other exercises. Of particular



Chair Heather Raven, Minister of Children and Family Development Christy Clarke, Executive Director Wayne Robertson and Attorney General Geoff Plant, at the announcement of the Child Welfare Fund

importance were the executive directors' roundtable and the advocacy training conference, which was co-sponsored by the Legal Services Society, both held in December.

The executive directors' roundtable was an opportunity for the executive directors of all Law Foundation-funded groups to meet. At that meeting, the Law Foundation continued its dialogue with groups on the funding strategies review. This ongoing review of all Law Foundation-funded programs, the first cycle of which will be complete by the end of 2006, 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.

A significant Law Foundation funding initiative over the past year was the Child Welfare Fund. In June, Minister for Children and Family Development Christy Clark, and Attorney General Geoff Plant announced a grant to the Law Foundation of \$1 million to be used to expand the use of alternate

dispute resolution processes in the area of child protection law, with a focus on Aboriginal children. In 2005, applications for funding from this fund will be assessed.

In 2004, the most significant challenge facing the Law Foundation was low interest rates. The year ended with a lower interest rate than it started with, and rates were at record low levels during the year. The foundation's income from interest earned on lawyers' pooled trust accounts is dependent upon the total balances held in lawyers' pooled trust accounts in B.C., the prime interest rate and the agreements negotiated with financial institutions.

Trust account balances were high in 2004, which meant that the foundation did not have to draw down its grant stabilization reserve as much as originally predicted and the reserve closed the year with \$200,000 less than at the beginning. Interest rates, however, remain low, and based on the most recent forecasts, the foundation is facing a significant decrease in income for 2005, to less than \$9 million. As a result, in 2005, 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 2005 budget will allow governors to continue to provide funding stability for 53 programs by continuing their core funding at the same level as 2004, and provide modest funding for new projects.

In 2004, the foundation received competitive rates of return from the following major financial institutions: Vancouver

...the funding strategies review ... of all Law Foundation-funded programs ... is being undertaken to ensure the continued alignment of Law Foundation funding with its mission and to optimize its grant making

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 2004 saw changes in the board of governors as the following governors completed their terms:

- Parker MacCarthy, Q.C., of Duncan, who served on five different committees during his term;
- Paul Love, of Campbell River, who also served on a number of committees and was chair of the Assessment Committee in 2000 and the Funding Strategies Committee for 2003 and 2004;
- Cindy McKinley, a lay governor from Vancouver, who provided expert guidance to the foundation as it developed its funding strategies review;
- Roopchand Seebaran, a lay governor from Mission, who served on seven committees and chaired the Diversity

Committee from 2001 to 2004, a committee that spearheaded changes to the Law Foundation mission statement and the production of the *Diversity Profile of B.C.*;

- Wendy Au, a lay governor from Vancouver, who also served on seven committees; and
- Don Silversides, Q.C., who served on the Law Foundation board from 1996 to 2003 on a number of committees, as chair of the New Grants Committee (1998 to 2000), as chair of the Policy and Planning Committee (2001), and as chair of the board from 2001 to 2003.

We all share a debt of gratitude to Chair Silversides and to these other governors for their contributions to the foundation.

I am pleased to welcome new governors John Waddell, Q.C., of Victoria, Nancy Merrill of Nanaimo, John Dustan of Vancouver, Marilyn Baker of Chemainus, and Bruce Strachan of Prince George to the board of governors for 2005.

In closing, 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.



Heather Raven
Chair 2004

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 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 2004, the Law Foundation has approved grants totalling more than \$281 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

In 2004, the board also had three other committees: Child Welfare Fund, Funding Strategies and Special Needs Fund.

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

Profile and Program Objectives

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 10 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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Website: www.lawfoundationbc.org

From left to right: Madam Justice Wendy Baker (past governor, 1986 – 89), John W. Horn (past governor, 1971 – 78) and Chief Justice Lance Finch at the Law Foundation's 35th anniversary reception

PROGRAM OBJECTIVES

1. Legal Education

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

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. Legal Aid

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.

To facilitate access of the public to the justice system.

4. Law Reform

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

To assist law libraries and resource centres to keep their materials current.

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.

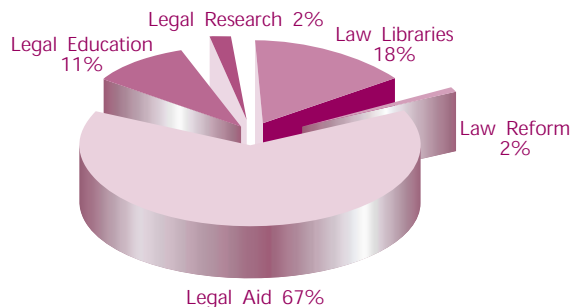


Continuing Programs Funded in 2004

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 2004 Continuing Programs and 2004 Projects. Within each sub-section, grants are listed from highest to lowest dollar amounts, rather than alphabetically by name.



Grants Approved in 2004

Legal Education	\$1,403,750
Legal Research	180,000
Legal Aid	8,336,669
Law Reform	211,100
Law Libraries	2,255,200
Total	\$12,386,719

Total continuing program grants: \$11,346,605

Total project grants: \$1,040,114

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**

University of Victoria, Faculty of Law

Graduate Scholarship Program **\$30,000**

Entrance and renewal scholarships **\$29,000**

Law Foundation Graduate Fellowships

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

Law Foundation Lay Advocacy Training

Educating and training Law Foundation-funded lay advocates **\$54,600**

University of Saskatchewan, Native Law Centre

A pre-law program for Aboriginal students **\$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**

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**

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 2005 public legal education activities; and Dial-A-Law, a province-wide telephone service providing free legal information to the public **\$247,100**



From left to right: Edna Terbasket (Ki-Low-Na Friendship Society), Angela Gray and Deanna Okun-Nachoff (West Coast Domestic Workers' Association) at the Law Foundation's 35th anniversary reception

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**

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**

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**

Continuing Programs Funded in 2004

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**

Separation and Divorce Resource Centre

A lay advocacy program assisting unrepresented people in Family Court in Greater Victoria and providing basic family law information to low-income people **\$45,600**

MPA — Motivation, Power and Achievement Society

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

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 the 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**



Kelly Roulette, Atira Women's Resources Society

MISCELLANEOUS GRANTS

Support for organizations to address emergent needs as recognized throughout the year, including a grant to the Canadian Bar Association for the 2005 Canadian Legal Conference; grants to Nelson and District Community Resources Society for strategic planning; a grant to the People's Law School Society for human resources planning; a grant to the Voice of the Cerebral Palsied of Greater Vancouver to reprint the booklet *How to Create a Trust*; and grants to the Community Legal Assistance Society and the West Coast Women's Legal Education and Action Fund Association for moving costs.

\$100,000

Projects Funded in 2004

LEGAL EDUCATION PROJECTS

Public Legal Education Projects

Carrier Sekani Family Services: Family Dispute Resolution Training Project **\$60,000**

Canadian Superior Courts Judges Association: "You Be the Judge" — School Education Project **\$20,000**

People's Law School Society: Community Newspaper Articles Project **\$18,000**

Tsawataineuk First Nation Health and Social Services: Legal Information Workshops Project **\$15,000**

People's Law School Society: Teacher's Guide to *Learning About the Law* **\$14,900**

Law Courts Education Society: Plain Language Booklets for the Public on Supreme Court **\$10,000**

Terrace Women's Resource Centre Society: Legal Education Project **\$7,500**

B.C. Civil Liberties Association: Youth and Civil Liberties/An Interactive Workshop **\$6,000**

MOSAIC: Front Line Advocacy Workers Coordination Project **\$6,000**

Professional Legal Education Projects

Environmental Law Centre, University of Victoria: Community Advocacy for a Sustainable Environment Project **\$60,000**

University of Victoria: Jessup Moot Competition **\$25,000**

University of British Columbia: Pro Bono Students of Canada Summer Program 2004 **\$6,550**

LEGAL RESEARCH PROJECTS

MOSAIC: Access to Licensure by Foreign-Trained Professionals **\$65,000**

Scow Institute for Communicating Information on Aboriginal Issues: Aboriginal Legal Issues Education Project **\$50,000**

Union of B.C. Indian Chiefs: Community Research Manual **\$15,000**

LEGAL AID PROJECTS

Pro Bono Law of B.C. Society: Operating Expenses 2005/2006 and 2006/2007 **\$170,000**

Atira Women's Resource Society: Legal Advocacy Services in the Downtown Eastside **\$100,000**

Law Courts Education Society: Court Self-Help Centre for Self-Represented Litigants **\$70,000**

Multiple Sclerosis Society, B.C. Division: Volunteer Legal Advocacy Program **\$60,000**

Okanagan Nation Family Intervention Services Society: Legal Advocacy Project **\$59,464**

Sto:lo Nation: Family Justice Program **\$50,000**

Pro Bono Law of B.C. Society: Volunteer Legal Advocacy Guide **\$27,000**

La Boussole, Centre Communautaire Soci t : Legal Advocacy Project **\$20,000**

Vernon and District Women's Centre Society: Poverty Advocate **\$15,000**

Heiltsuk Tribal Council: Heiltsuk Youth Justice Project **\$14,700**

Western Canada Society to Access Justice: 2004/2005 Vancouver Pro Bono Clinic Promotion and Expansion Project **\$13,000**

North Shore Projects Society for the Low-Income and Handicapped: Legal Advocacy Project **\$12,000**

LAW REFORM PROJECTS

Pivot Legal Society: Alternatives to Criminal Regulation of the Sex Trade Project **\$50,000**

Note: Project grants are listed here with just the name of the organization and the title of the project. If you have questions about these smaller grants or the project grant application process, please contact the Law Foundation.



December 31, 2004

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, 2004 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, 2004 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

January 28, 2005

TOMPKINS, WOZNY, MILLER & CO.
Chartered Accountants

Statement of Financial Position

The Law Foundation of British Columbia

As at December 31

	2004 \$	2003 \$
ASSETS		
Cash	59,689	130,499
Short-term investments [note 4]	2,044,048	1,376,174
Long-term investments [note 5]	29,450,353	30,346,565
Accrued interest receivable	321,561	304,936
Prepaid expenses and other	28,316	6,635
Property and equipment [note 6]	95,808	58,489
	31,999,775	32,223,298
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	156,612	64,370
Child Welfare Fund [note 7]	998,715	—
Grants payable within one year	10,249,645	11,060,646
Long-term grants payable [note 8]	991,664	1,331,186
Total liabilities	12,396,636	12,456,202
Net assets		
Grant stabilization reserve [note 9]	19,507,331	19,708,607
Equity in property and equipment	95,808	58,489
Total net assets	19,603,139	19,767,096
	31,999,775	32,223,298

Lease commitment [note 13]

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 Property and Equipment \$	Grant Stabilization Reserve \$	Net Assets \$
2004			
Balance, beginning of year	58,489	19,708,607	19,767,096
Decrease in net assets for the year	(19,372)	(144,585)	(163,957)
Acquisition of property and equipment	56,691	(56,691)	—
	95,808	19,507,331	19,603,139
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 property and equipment	32,865	(32,865)	—
	58,489	19,708,607	19,767,096

See accompanying notes

Statement of Income and Expenses

Statement of Cash Flows

The Law Foundation of British Columbia

Year ended December 31

	2004 \$	2003 \$
INCOME		
Interest received on lawyers' trust accounts	10,459,310	12,668,726
Investment income [note 10]	2,481,649	2,310,508
Unclaimed trust funds [note 11]	75,647	83,602
	13,016,606	15,062,836
Child Welfare Fund [note 7]	1,285	—
	13,017,891	15,062,836
EXPENSES		
Audit and annual report	35,700	28,734
Consulting and legal	95,675	19,349
Custodial fees	18,375	18,206
Investment advisory fees	66,880	68,784
Meetings and travel	100,408	119,534
Office	53,587	74,367
Rent and occupancy costs	63,282	63,314
Salaries and employee benefits	511,235	498,807
Amortization of property and equipment	19,372	15,861
	964,514	906,956
Child Welfare Fund [note 7]	1,285	—
	965,799	906,956
Net income before grants approved	12,052,092	14,155,880
Program and project grants approved [note 12]	12,386,719	13,539,117
Less program and project grants refunded or unused	170,670	503,658
	12,216,049	13,035,459
Increase (decrease) in net assets for the year	(163,957)	1,120,421

See accompanying notes

The Law Foundation of British Columbia

Year ended December 31

	2004 \$	2003 \$
OPERATING ACTIVITIES		
Interest received on lawyers' trust accounts	10,459,310	12,668,726
Interest received on investments	1,733,441	1,881,154
Unclaimed trust funds received	75,647	83,602
Expenses paid	(874,581)	(889,401)
Program and project grants paid net of refunds and returns	(13,366,572)	(13,798,836)
	(1,972,755)	(54,755)
Child Welfare Fund (net)	998,715	—
Cash used in operating activities	(974,040)	(54,755)
INVESTING ACTIVITIES		
Property and equipment purchased	(56,691)	(32,865)
Sale of long-term investments, net of purchases	1,627,795	239,373
Cash provided by investing activities	1,571,104	206,508
Increase in cash and cash equivalents for the year	597,064	151,753
Cash and cash equivalents, beginning of year	1,506,673	1,354,920
Cash and cash equivalents, end of year	2,103,737	1,506,673
Cash and cash equivalents are comprised of:		
Cash	59,689	130,499
Short-term investments	2,044,048	1,376,174
	2,103,737	1,506,673

See accompanying notes

Notes to Financial Statements

The Law Foundation of British Columbia

December 31, 2004

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 tax exempt 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 provide 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.

Property and Equipment

All expenditures on property and equipment 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 property and equipment, except leasehold improvements, one-half the normal amortization is recorded in the year the 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 12-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.

Child Welfare Fund

The Child Welfare Fund is an externally restricted contribution that will be reported as income as qualifying expenditures are incurred.

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 income 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, accounts payable and grants payable. The foundation is subject to market and credit risk on its accrued interest receivable and 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, and their carrying value approximates fair value, except for investments that are carried at the lower of cost and market value.

Notes to Financial Statements

4. Short-Term Investments

	Due Dates	Cost \$	Market Value \$
2004			
Short-term investment funds and term deposits, average yield 2.60%	2005	2,039,055	2,038,215
Other		5,833	5,833
		2,044,888	2,044,048

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

5. Long-Term Investments

	Due Dates	Cost \$	Market Value \$
2004			
Corporate bonds and debentures	2010 to 2030	11,691,062	12,388,705
Government bonds	2013 to 2031	17,759,291	18,851,562
		29,450,353	31,240,267

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

The interest rates on long-term investments, based on their par value, range from 5% to 10% with an approximate average rate of 6.4% [2003 – 6.7%]. The average yield to maturity, based on market value, is 5.7% [2003 – 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. Property and Equipment

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2004			
Leasehold improvements	74,755	21,605	53,150
Furniture and equipment	59,527	22,880	36,647
Computers and accessories	18,396	12,385	6,011
	152,678	56,870	95,808

2003

Leasehold improvements	38,402	16,115	22,287
Furniture and equipment	44,004	14,273	29,731
Computers and accessories	21,080	14,609	6,471
	103,486	44,997	58,489

7. Child Welfare Fund

The B.C. Ministry of Children and Family Development granted \$1 million to the foundation to develop innovative proposals consistent with the guiding principles of the Child, Family and Community Service Act, to expand the use of alternative dispute resolution in child welfare — particularly for Aboriginal children and families.

The fund comprises:	2004 \$	2003 \$
Grant received	1,000,000	—
Less direct development expenses	1,285	—
	998,715	—

8. Long-Term Grants Payable

The foundation has approved grants with multi-year payment schedules that are estimated to be payable in the following years:

	2004 \$	2003 \$
2004	—	11,060,646
2005	10,249,645	1,278,406
2006	991,664	52,780
	11,241,309	12,391,832
Less portion payable within one year	(10,249,645)	(11,060,646)
	991,664	1,331,186

9. Grant Stabilization Reserve

The foundation has established an annual grants budget with the goal of insulating continuing programs (that can account for up to 95% 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 that generate income to the foundation.

The reserve functions as a stabilization fund that 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, the prime rate dropped to a historically low level, and remained low through 2004. Although this could have resulted in a significant draw down of the reserve, higher trust account balances have enabled the foundation to fund additional project grants with only a modest reduction in the reserve.

10. Investment Income

Investment income comprises:	2004 \$	2003 \$
Interest earned	1,825,351	1,902,340
Gain on sale of investments	656,298	408,168
	2,481,649	2,310,508

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.

12. Program and Project Grants Approved

	2004 \$	2003 \$
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	5,883,905	5,865,805
Project grants	1,040,114	2,210,612
	12,386,719	13,539,117

13. Lease Commitment

In addition to shared building operating costs and property taxes, the foundation is committed to annual rent payments until April 30, 2013 for its office premises. The lease can be cancelled after April 2009 by payment of a penalty of \$4 per square foot, prorated to the end of the lease term. The required payments are as follows:

	Annual Rent Payments \$	Total Rent Commitment \$
2005	34,403	34,403
2006 – 2007	35,293	70,585
2008 – 2012	37,752	188,760
2013 (4 months)	18,876	18,876
		312,624

On the cover

Centre photograph, left to right: Madam Justice Pamela Kirkpatrick (present governor, 2003 – present);

Michael Goldie, Q.C. (founding governor, 1969 – 70);

Justice Kenneth E. Meredith (founding governor, 1969 – 72)

Bottom photograph, left to right: Marlene Scott (past chair, 1985 – 87);

Margot Ubat; Norman Severide (past chair, 1982 – 84);

Darrel Harper; Arthur Harper, Q.C. (founding chair, 1969 – 75);

Heather Raven (current chair) at the Law Foundation chairs' dinner

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1969 – 1975 Arthur M. Harper, Q.C.

1976 – 1978 Donald J. Lawson, Q.C.

1979 – 1981 The Honourable
Leslie M. Little

1982 – 1984 Norman Severide, Q.C.

1985 – 1987 Marlene Scott, Q.C.

1988 – 1989 Kenneth Antifaev, Q.C.

1990 – 1991 Alec Robertson, Q.C.

1992 – 1993 The Honourable
Judge Gregory T. W. Bowden

1994 – 1995 Alan McDonell, Q.C.

1996 – 1997 The Honourable
Madam Justice Lynn Smith

1998 – 1999 Jane Morley, Q.C.

2000 – 2001 The Honourable
Mr. Justice David J. Brine

2001 The Honourable
Madam Justice N. Victoria Gray

2001 – 2003 Don Silversides, Q.C.

2004 – 2005 Heather Raven

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Policy and Planning Committee

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