

# 2002 Annual Report

## Report from the Chair

In 2002, the Law Foundation of British Columbia approved 76 grants totalling \$12 million. Of this amount, \$11.5 million was allocated to 56 continuing programs and \$0.5 million was allocated to 20 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 British Columbians



Don Silversides, Q.C.

who have the greatest difficulties with access to justice. As well, grants supported law libraries, legal research, legal education and law reform initiatives. ¶ This past year, the board of governors continued to give priority to core funding for programs and services. They also continued to recognize the importance of responding to emerging legal needs in significant initiatives

## Report from the Chair

in the areas of public legal education and legal research.

In 2002, governors continued their efforts to support foundation-funded groups and similar community organizations through capacity building and other support. Of particular importance were a poverty law roundtable held in June and an advocacy training conference held in November.

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In June, 40 key poverty law leaders from around the province met to discuss the future of poverty law service delivery in British Columbia following the changes in the Legal Services Society.

In November, an advocacy training conference developed in collaboration with PovNet was co-sponsored by the foundation and the Legal Services Society. It brought together approximately 90 advocates from all parts of the province for three days of workshops on employment assistance, employment insurance, disability benefits, residential tenancy, family law and child protection law. This was a unique and welcome opportunity for advocates working on the front lines in different communities around the province to learn about recent changes in government legislation and improve their advocacy skills on behalf of people with very low incomes.

The foundation's principal source of income is interest earned on lawyers' pooled trust accounts, which is dependent on interest rates and the amount of money in those accounts. A 1% change in the prime rate, depending on the level of trust balances, can result in a difference of \$4 to \$6 million in revenue for the Law Foundation.

After several years of interest rate volatility, and recognizing the importance of providing stability for its continuing grant recipients, the foundation established a grant stabilization fund in 1990, with the expectation of using that reserve during years of lower income to avoid drastic cutbacks to its budget for grants to continuing programs in any single year. Significant reductions in the foundation's income, caused by declining interest rates,

**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.**

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 to the reserve from 1998 to 2001, when interest rates were increasing.

There was a sharp decline in interest rates in the latter part of 2001 and, at the beginning of 2002, we were forecasting a very significant decrease in income that would require us to use a substantial part of our reserve to maintain core funding to continuing programs. While the foundation's income did decline for the third straight year, from \$21.6 million in 2000, to \$16.5 million in 2001 and to \$10.3 million in 2002, the drop was less than had been forecast.

The better-than-expected revenue for 2002 resulted from three factors. First, there was an increase in interest rates. Second, the amount of money held in lawyers' pooled trust accounts reached an all-time high. And finally, after securing new agreements in 2001 with

## Report from the Chair

TD/Canada Trust and Coast Capital Savings, the foundation negotiated competitive agreements in 2002 with VanCity Savings Credit Union, HSBC Bank Canada, Royal Bank, Bank of Montreal and Bank of Nova Scotia. We would like to thank these institutions in particular for their support this year. 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.

By using \$1.6 million of the grant stabilization reserve fund in 2002, the foundation was able to provide stable core funding to its continuing grantees at the same level as in 2001. We are currently forecasting that the foundation will have to draw down a further \$4.2 million of the grant stabilization reserve fund in 2003 to provide funding stability for 56 continuing programs and provide a modest budget for funding new projects.

The year 2002 saw several changes in the board of governors as four governors completed their terms on December 31: Madam Justice Alison Beames, Andrew Croll, Madam Justice Victoria Gray and Marina Pratchett, Q.C. They are to be thanked and commended for their years of dedicated service to the foundation and its work.

Madam Justice Beames of Kelowna was appointed to the board on January 1, 1997. She served on the bursary, scholarship and fellowship (1997–

2002), small grants (1998–2000) and new grants (2001–2002) committees. She has served as a Supreme Court Justice since September 1996.

Andrew Croll, a lawyer in Nanaimo, was also appointed to the board on January 1, 1997. He served on the assessment (1997), policy and planning (1997), small grants (1998–1999), finance and administration (1998–2001), new grants (2000 and 2002) and diversity (2001–2002) committees, and was chair of the bursary, scholarship and fellowship committee (2002).

### **We are currently forecasting that the foundation will have to draw down a further \$4.2 million of the grant stabilization reserve fund in 2003.**

Madam Justice Victoria Gray of Vancouver was appointed to the board on January 1, 1996. She served as chair of the board for part of the year in 2001, prior to her appointment to the bench. Madam Justice Gray also served on the finance and administration (1996–1997 and in 2002), policy and planning (1997–2000, including as chair from 1998–2000), Aboriginal justice issues (1998–1999) and diversity (2001–2002) committees; on the civil justice reform special committee (1996); and was chair of the strategic planning subcommittee (1999).

Marina Pratchett, Q.C., a partner in the Vancouver firm of Fasken, Martineau, Dumoulin, was appointed to the board on January 1, 1997. She served on the assessment (1997), small grants (1997), finance and administration (1998–2002, including as chair in 2001–2002), bursary, scholarship and fellowship (2000–2001), and diversity (2001) committees, and was co-chair of the Aboriginal justice committee (1998–1999).

We welcome the new governors joining the board of the foundation in 2003, including Madam Justice Pamela Kirkpatrick, Dev Dley of Kamloops, Grant Gray of Kelowna and Cindy McKinley and Warren Wilson, Q.C., both of Vancouver.

We also welcome Veenu Saini, a new program director at the Law Foundation, who joined us in 2002.

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



Don Silversides, Q.C.  
Chair 2002

# 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 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 2002, the Law Foundation has approved grants totalling more than \$255 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

# 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 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.

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Vancouver, B.C. V6B 5J3

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Fax: 604-688-4586

E-mail: [lfbc@telus.net](mailto:lfbc@telus.net)

Website: [www.lawfoundationbc.org](http://www.lawfoundationbc.org)

### 1. Legal Education

- I. 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

- I. 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

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

### 4. Legal Aid

- I. 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.

### 5. Law Libraries

- I. 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.

# Continuing Programs Funded in 2002

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 2002 Continuing Programs and 2002 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 2002

Legal Aid	\$ 7,885,492
Law Libraries	2,256,200
Legal Education	1,559,896
Law Reform	221,100
Legal Research	60,000
<b>Total</b>	<b>\$11,982,688</b>

Total continuing program grants: \$11,508,765

Total project grants: \$473,923

## 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. **\$3,284,136**



Mark Benton, executive director,  
Legal Services Society

### B.C. Branch, Canadian Bar Association, Lawyer Referral Program/Dial-a-Law

The Lawyer Referral Program, a province-wide telephone service to help the public obtain low-cost legal information and assistance

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

## Community-Based Advocacy

### 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 **\$231,900**

### Tenants' Rights Action Coalition

A province-wide legal information service on tenancy matters **\$218,600**

### B.C. Coalition of People with Disabilities

Province-wide 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**

### B.C. Human Rights Coalition

A province-wide human rights advocacy and education program **\$132,300**

### 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 **\$92,500**

### 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**

## Continuing Programs Funded in 2002

### **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**

### **Active Support Against Poverty Society**

A lay advocacy program providing legal information and assistance to low-income people in the Prince George area **\$56,150**

### **Battered Women's Support Services Association**

A lay advocacy program providing legal information and assistance to battered women in the Lower Mainland **\$49,253**

### **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 **\$44,538**

### **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 Surrey/White Rock Women's Place**

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

### **Downtown Eastside Women's Centre**

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

## ■ 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 **\$493,850**

Governor Marina Pratchett, Q.C. (centre, back row), with staff of the B.C. Public Interest Advocacy Centre



# Continuing Programs Funded in 2002

## B.C. Civil Liberties Association

Test case litigation, legal education and law reform to protect the civil liberties and human rights of British Columbians **\$169,300**

## 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**

## ■ LEGAL EDUCATION

### Professional Legal Education

#### Continuing Legal Education 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 **\$59,800**  
Undergraduate scholarships **\$29,000**  
Project grants **\$25,000**  
Entrance bursaries for disadvantaged students **\$13,500**

#### Law Foundation Lay Advocacy Training

Educating and training Law Foundation-funded lay advocates and a poverty law conference **\$80,146**

#### Law Foundation Graduate Fellowships

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

## University of Victoria, Faculty of Law

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



Andrew Petter, dean, Faculty of Law, University of Victoria

## 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 intended to provide advocates with access to current legal information about welfare, housing, employment and other poverty law issues **\$55,000**

## End Legislated Poverty

A provincial newsletter on poverty law issues and monthly meetings of advocates working on such issues **\$20,127**

## 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 public legal education activities **\$5,500**

## ■ LAW LIBRARY

### 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**

## ■ 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**



Ram Sidhu, legal advocate, and Dubravka Mramor, settlement worker, participated in the November advocacy training conference



# Projects Funded in 2002

## ■ LEGAL AID PROJECTS

Multiple Sclerosis Society, B.C. Division ..... \$ 13,300

## ■ LEGAL EDUCATION PROJECTS

B.C. Civil Liberties Association ..... \$ 56,000  
 Vancouver Custody and Access Support and Advocacy Association ..... \$ 53,304  
 Legal Services Society ..... \$ 40,000  
 Nanaimo Women's Resources Society ..... \$ 34,825  
 Immigrant and Multicultural Services Society ..... \$ 30,253  
 Prostitutes Empowerment Education and Resource Society ..... \$ 29,912  
 CRJ—Society for Racial Justice in B.C. .... \$ 20,000  
 West Coast Women's Legal Education and Action Fund Association ..... \$ 18,750  
 Coast Foundation Society ..... \$ 15,000  
 B.C. Iranian Seniors' Society ..... \$ 13,000  
 B.C. Human Rights Coalition ..... \$ 9,829  
 Advocacy Outreach Society ..... \$ 9,000  
 West Coast Domestic Workers Association ..... \$ 6,200  
 Surrey Women's Centre Society ..... \$ 3,550

## ■ LAW LIBRARY PROJECTS

Association des jurists d'expression française de la B.C. .... \$ 1,000

## ■ LEGAL RESEARCH PROJECTS

Society for Children and Youth of B.C. .... \$ 30,000  
 Scow Institute ..... \$ 15,000  
 University of Victoria ..... \$ 15,000

## ■ LAW REFORM PROJECTS

B.C. Law Institute ..... \$ 60,000



Legal information publications produced by the Multiple Sclerosis Society, B.C. Division

### 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.

karima budhwani, Carol Jones,  
 Veenu Saini, Daphne Morrison,  
 Wayne Robertson, Jo-Anne Kaulius  
 and Amy Tam, Law Foundation staff





December 31, 2002

**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, 2002 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, 2002 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 5, 2003

**TOMPKINS, WOZNY, MILLER & CO.**  
Chartered Accountants

# Statement of Financial Position

The Law Foundation of British Columbia

As at December 31

	2002	2001
	\$	\$
<b>ASSETS</b>		
Cash	35,408	40,068
Short-term investments [note 4]	1,319,512	1,291,974
Long-term investments [note 5]	30,132,416	34,555,462
Accrued interest receivable	329,104	424,442
Prepaid expenses and other	6,635	11,074
Capital assets [note 6]	41,485	43,528
	<u>31,864,560</u>	<u>36,366,548</u>

## LIABILITIES AND NET ASSETS

### Liabilities

Accounts payable	62,676	138,246
Grants payable within one year	11,810,990	12,814,546
Long-term grants payable [note 7]	1,344,219	3,167,207
<b>Total liabilities</b>	<u>13,217,885</u>	<u>16,119,999</u>

### Net assets

Grant stabilization reserve [note 8]	18,605,190	20,203,021
Equity in capital assets	41,485	43,528
<b>Total net assets</b>	<u>18,646,675</u>	<u>20,246,549</u>
	<u>31,864,560</u>	<u>36,366,548</u>

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
	\$	\$	\$
<b>2002</b>			
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)	—
	<u>41,485</u>	<u>18,605,190</u>	<u>18,646,675</u>
<b>2001</b>			
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)	—
	<u>43,528</u>	<u>20,203,021</u>	<u>20,246,549</u>

See accompanying notes

# Statement of Income and Expenses

## The Law Foundation of British Columbia

Year ended December 31

	2002	2001
	\$	\$
<b>INCOME</b>		
Interest received on lawyers' trust accounts	7,366,334	14,147,282
Investment income [note 9]	2,945,632	2,325,889
Unclaimed trust funds [note 10]	17,719	54,595
	<u>10,329,685</u>	<u>16,527,766</u>
<b>EXPENSES</b>		
Audit and annual report	22,218	24,038
Consulting and legal	24,791	111,707
Custodial fees	18,609	19,211
Investment advisory fees	68,957	74,271
Meetings and travel	94,684	94,821
Office	51,106	42,438
Rent and occupancy costs	61,891	61,622
Salaries and employee benefits	440,343	393,224
Amortization of capital assets	14,124	17,311
	<u>796,723</u>	<u>838,643</u>
<b>Net income before grants approved</b>	<u>9,532,962</u>	<u>15,689,123</u>
<b>Grants approved [note 11]</b>	<u>11,982,688</u>	<u>14,428,411</u>
<b>Less grants refunded or unused</b>	<u>849,852</u>	<u>54,483</u>
	<u>11,132,836</u>	<u>14,373,928</u>
<b>Increase (decrease) in net assets for the year</b>	<u>(1,599,874)</u>	<u>1,315,195</u>

See accompanying notes

# Statement of Cash Flows

## The Law Foundation of British Columbia

Year ended December 31

	2002	2001
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Interest received on lawyers' trust accounts	7,366,334	14,147,282
Interest received on investments	2,197,926	2,052,555
Unclaimed trust funds received	17,719	54,595
Expenses paid	(853,728)	(767,513)
Grants paid, net of grants returned	(13,959,381)	(14,989,212)
<b>Cash provided by (used in) operating activities</b>	<u>(5,231,130)</u>	<u>497,707</u>
<b>INVESTING ACTIVITIES</b>		
Capital assets purchased	(12,081)	(7,251)
Sale (purchase) of long-term investments, net of proceeds on sale	5,266,089	(813,674)
<b>Cash provided by (used in) investing activities</b>	<u>5,254,008</u>	<u>(820,925)</u>
<b>Increase (decrease) in cash and cash equivalents for the year</b>	<u>22,878</u>	<u>(323,218)</u>
Cash and cash equivalents, beginning of year	1,332,042	1,655,260
<b>Cash and cash equivalents, end of year</b>	<u>1,354,920</u>	<u>1,332,042</u>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	35,408	40,068
Short-term investments	1,319,512	1,291,974
	<u>1,354,920</u>	<u>1,332,042</u>

See accompanying notes

# Notes to Financial Statements

December 31, 2002

## 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 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 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 that 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.

## 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 market and credit risk on its long-term investments 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.

## 4. SHORT-TERM INVESTMENTS

All short-term investments fall due within eighty-six days [2001—fifty-nine days].

	Due Dates	Cost \$	Market Value \$
<b>2002</b>			
Government treasury bills, average yield 2.68%	2003	1,316,883	1,316,883
Other		2,629	2,629
		<u>1,319,512</u>	<u>1,319,512</u>
<b>2001</b>			
Government treasury bills, average yield 2.61%	2002	1,277,396	1,277,396
Other		14,578	14,578
		<u>1,291,974</u>	<u>1,291,974</u>

# Notes to Financial Statements

## 5. LONG-TERM INVESTMENTS

	Due Dates	Cost \$	Market Value \$
<b>2002</b>			
Corporate bonds and debentures	2011 to 2030	8,567,302	8,789,241
Government bonds	2003 to 2031	21,565,114	22,186,149
		<b>30,132,416</b>	<b>30,975,390</b>
<b>2001</b>			
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
		<b>34,555,462</b>	<b>34,775,509</b>

The interest rates on long-term investments, based on their par value, range from 5.0% to 8.3% with an approximate average rate of 6.8% [2001–7.4%]. The average yield to maturity, based on market value, is 5.9% [2001–6.3%].

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 credit risk on its corporate bonds and debentures, and market risk arising from changes in interest rates with respect to its long-term investments. 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

	2002		2001	
	Cost \$	Net Book Value \$	Cost \$	Net Book Value \$
Leasehold improvements	38,402	27,087	32,460	25,698
Furniture and equipment	17,517	7,097	50,837	7,418
Computers and accessories	25,962	7,301	24,633	10,412
	<b>81,881</b>	<b>41,485</b>	<b>107,930</b>	<b>43,528</b>

## 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 2002 grants to be disbursed in 2004, constitute long-term grants payable at December 31, 2002. The grants are estimated to be payable in the following years:

	2002 \$	2001 \$
2002	—	12,814,546
2003	11,810,990	2,731,741
2004	1,170,638	261,885
2005	103,281	103,281
2006	70,300	70,300
	<b>13,155,209</b>	<b>15,981,753</b>
Less portion payable within one year	(11,810,990)	(12,814,546)
	<b>1,344,219</b>	<b>3,167,207</b>

## 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 an historically low level, the foundation drew down the reserve by \$1.6 million to meet funding commitments.

## 9. INVESTMENT INCOME

Investment income comprises:

	2002 \$	2001 \$
Interest earned	2,114,362	2,011,184
Recovery of long-term investments to lower of cost or market value	70,193	98,945
Gain on sale of investments	761,077	215,760
	<b>2,945,632</b>	<b>2,325,889</b>

# Notes to Financial Statements

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 has been fully recovered.

## 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. GRANTS APPROVED

	2002 \$	2001 \$
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 grants	6,046,065	5,892,065
Major project grants	—	2,810,496
Other project grants	473,923	263,150
	<u>11,982,688</u>	<u>14,428,411</u>

## 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, prorated to the end of the term. The required payments are as follows:

	Annual Rent Payments \$	Total Rent Commitment \$
2003–2007	27,968	139,840
2008 (4 months)	14,916	14,196
		<u>154,036</u>

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Ex-officio member of all committees

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*As of December 31, 2002*

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**Carol Jones**, Administrative Assistant

**Jo-Anne Kaulius**, Controller

**Daphne Morrison**, Program Director

**Wayne Robertson**, Executive Director

**Veenu Saini**, Program Director

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