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 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.
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.

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, 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

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.
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 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).


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
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
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.

The Law Foundation of British Columbia
Suite 1340–605 Robson Street
Vancouver, B.C. V6B 5J3
Tel: 604-688-2337
Fax: 604-688-4586
E-mail: lfb@telus.net
Website: www.lawfoundationbc.org

Program Objectives

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

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

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

4. Legal Aid
   1. To assist in the provision of legal services, including:
      a. advice to and representation of economically disadvantaged persons; and
      b. support of community service and non-profit organizations 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
   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.
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.

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

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

Community-Based Advocacy

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

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

Mark Benton, executive director, Legal Services Society
### Continuing Programs Funded in 2002

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Description</th>
<th>Location</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cranbrook Women’s Resource Centre Society</td>
<td>A lay advocacy program providing legal information and assistance to low-income people in the East Kootenay region</td>
<td>$81,102</td>
<td></td>
</tr>
<tr>
<td>Ki-Low-Na Friendship Society</td>
<td>A lay advocacy program providing legal information and assistance to urban Aboriginal people in the Central Okanagan</td>
<td>$75,000</td>
<td></td>
</tr>
<tr>
<td>MOSAIC</td>
<td>A lay advocacy program providing legal information and assistance to low-income immigrants and refugees in the Lower Mainland</td>
<td>$73,700</td>
<td></td>
</tr>
<tr>
<td>Kootenay Region Métis Association</td>
<td>A lay advocacy program providing legal information and assistance on family law to Aboriginal people in the Kootenays</td>
<td>$73,600</td>
<td></td>
</tr>
<tr>
<td>Kettle Friendship Society</td>
<td>A mental health lay advocacy program providing legal information and assistance on residential tenancy and child protection matters in the Lower Mainland</td>
<td>$70,000</td>
<td></td>
</tr>
<tr>
<td>Justice for Girls Outreach Society</td>
<td>A lay advocacy program providing legal information and assistance to low-income, street-involved teenage girls in Vancouver</td>
<td>$66,103</td>
<td></td>
</tr>
<tr>
<td>University of British Columbia, Faculty of Law, First Nations Clinical Program</td>
<td>A clinical program for law students providing legal services to First Nations people in the Lower Mainland</td>
<td>$65,500</td>
<td></td>
</tr>
<tr>
<td>Port Alberni Friendship Center</td>
<td>A lay advocacy program providing legal information and assistance to people with disabilities and mental health issues in the Port Alberni region</td>
<td>$58,960</td>
<td></td>
</tr>
<tr>
<td>Active Support Against Poverty Society</td>
<td>A lay advocacy program providing legal information and assistance to low-income people in the Prince George area</td>
<td>$56,150</td>
<td></td>
</tr>
<tr>
<td>Battered Women’s Support Services Association</td>
<td>A lay advocacy program providing legal information and assistance to battered women in the Lower Mainland</td>
<td>$49,253</td>
<td></td>
</tr>
<tr>
<td>Mental Patients’ Association</td>
<td>A courtworkers program to assist mentally ill people in the criminal justice system</td>
<td>$45,000</td>
<td></td>
</tr>
<tr>
<td>Separation and Divorce Resource Centre</td>
<td>A volunteer program assisting unrepresented people in Family Court in Greater Victoria and providing basic family law information to low-income people</td>
<td>$44,538</td>
<td></td>
</tr>
<tr>
<td>Contact Women’s Group Society</td>
<td>A lay advocacy program providing legal information and assistance to low-income people in the Williams Lake area</td>
<td>$40,000</td>
<td></td>
</tr>
<tr>
<td>South Surrey/White Rock Women’s Place</td>
<td>A lay advocacy program providing legal information and assistance on family law to women in the South Surrey/White Rock area</td>
<td>$40,000</td>
<td></td>
</tr>
<tr>
<td>Downtown Eastside Women’s Centre</td>
<td>A lay advocacy program providing legal information and assistance to women in Vancouver’s Downtown Eastside</td>
<td>$33,000</td>
<td></td>
</tr>
</tbody>
</table>

**PUBLIC INTEREST TEST CASE LITIGATION**

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Description</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Coast Environmental Law Association</td>
<td>Law reform, legal education and legal aid programs and a library collection to represent the public interest in environmental legal matters</td>
<td>$705,900</td>
</tr>
<tr>
<td>Community Legal Assistance Society</td>
<td>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</td>
<td>$654,500</td>
</tr>
<tr>
<td>B.C. Public Interest Advocacy Centre</td>
<td>Representation of public interest in regulatory matters and test cases on behalf of disadvantaged people appearing before courts and administrative tribunals</td>
<td>$493,850</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

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

Law Society of B.C.
Contribution to the operating costs of the CANLII Virtual Law Library $65,000

LAW LIBRARY

B.C. Courthouse Library Society
The society’s operating costs for the province’s 35 courthouse law libraries $2,190,200

B.C. Branch, Canadian Bar Association
Law Week public legal education activities $5,500

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

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

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
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

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 Tarn, 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.

Tompkins, Wozny, Miller & Co.
Chartered Accountants
Vancouver, Canada
February 5, 2003
The Law Foundation of British Columbia

As at December 31

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

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>62,676</td>
<td>138,246</td>
</tr>
<tr>
<td>Grants payable within one year</td>
<td>11,810,990</td>
<td>12,814,546</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>13,217,885</td>
<td>16,119,999</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant stabilization reserve [note 8]</td>
<td>18,605,190</td>
<td>20,203,021</td>
</tr>
<tr>
<td>Equity in capital assets</td>
<td>41,485</td>
<td>43,528</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>18,646,675</td>
<td>20,246,549</td>
</tr>
<tr>
<td><strong>Lease commitment [note 12]</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes

Approved by:

Governor

Governor
### Statement of Income and Expenses

The Law Foundation of British Columbia

**Year ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received on lawyers’ trust accounts</td>
<td>7,366,334</td>
<td>14,147,282</td>
</tr>
<tr>
<td>Investment income [note 9]</td>
<td>2,945,632</td>
<td>2,325,889</td>
</tr>
<tr>
<td>Unclaimed trust funds [note 10]</td>
<td>17,719</td>
<td>54,595</td>
</tr>
<tr>
<td></td>
<td><strong>10,329,685</strong></td>
<td><strong>16,527,766</strong></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit and annual report</td>
<td>22,218</td>
<td>24,038</td>
</tr>
<tr>
<td>Consulting and legal</td>
<td>24,791</td>
<td>111,707</td>
</tr>
<tr>
<td>Custodial fees</td>
<td>18,609</td>
<td>19,211</td>
</tr>
<tr>
<td>Investment advisory fees</td>
<td>68,957</td>
<td>74,271</td>
</tr>
<tr>
<td>Meetings and travel</td>
<td>94,684</td>
<td>94,821</td>
</tr>
<tr>
<td>Office</td>
<td>51,106</td>
<td>42,438</td>
</tr>
<tr>
<td>Rent and occupancy costs</td>
<td>61,891</td>
<td>61,622</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>440,343</td>
<td>393,244</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>14,124</td>
<td>17,311</td>
</tr>
<tr>
<td></td>
<td><strong>796,723</strong></td>
<td><strong>838,643</strong></td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before grants approved</td>
<td><strong>9,532,962</strong></td>
<td><strong>15,689,123</strong></td>
</tr>
<tr>
<td>Grants approved [note 11]</td>
<td><strong>11,982,688</strong></td>
<td><strong>14,428,411</strong></td>
</tr>
<tr>
<td>Less grants refunded or unused</td>
<td><strong>849,852</strong></td>
<td><strong>54,483</strong></td>
</tr>
<tr>
<td></td>
<td><strong>11,132,836</strong></td>
<td><strong>14,373,928</strong></td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR</strong></td>
<td><strong>(1,599,874)</strong></td>
<td><strong>1,315,195</strong></td>
</tr>
</tbody>
</table>

*See accompanying notes*

### Statement of Cash Flows

The Law Foundation of British Columbia

**Year ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received on lawyers’ trust accounts</td>
<td>7,366,334</td>
<td>14,147,282</td>
</tr>
<tr>
<td>Interest received on investments</td>
<td>2,197,926</td>
<td>2,052,555</td>
</tr>
<tr>
<td>Unclaimed trust funds received</td>
<td>17,719</td>
<td>54,595</td>
</tr>
<tr>
<td>Expenses paid</td>
<td>(853,728)</td>
<td>(767,513)</td>
</tr>
<tr>
<td>Grants paid, net of grants returned</td>
<td>(13,959,381)</td>
<td>(14,989,212)</td>
</tr>
<tr>
<td>Cash provided by (used in) operating activities</td>
<td><strong>(5,231,130)</strong></td>
<td><strong>497,707</strong></td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets purchased</td>
<td><strong>(12,081)</strong></td>
<td><strong>(7,251)</strong></td>
</tr>
<tr>
<td>Sale (purchase) of long-term investments, net of proceeds on sale</td>
<td><strong>5,266,089</strong></td>
<td><strong>(813,674)</strong></td>
</tr>
<tr>
<td>Cash provided by (used in) investing activities</td>
<td><strong>5,254,008</strong></td>
<td><strong>(820,925)</strong></td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR</strong></td>
<td><strong>22,878</strong></td>
<td><strong>323,218</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td><strong>1,332,042</strong></td>
<td><strong>1,322,042</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td><strong>1,354,920</strong></td>
<td><strong>1,332,042</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents are comprised of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td><strong>35,408</strong></td>
<td><strong>40,068</strong></td>
</tr>
<tr>
<td>Short-term investments</td>
<td><strong>1,319,512</strong></td>
<td><strong>1,291,974</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,354,920</strong></td>
<td><strong>1,332,042</strong></td>
</tr>
</tbody>
</table>

*See accompanying notes*
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].

<table>
<thead>
<tr>
<th></th>
<th>Due Dates</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government treasury bills, average yield 2.68%</td>
<td>2003</td>
<td>1,316,883</td>
<td>1,316,883</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>2,629</td>
<td>2,629</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,319,512</td>
<td>1,319,512</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government treasury bills, average yield 2.61%</td>
<td>2002</td>
<td>1,277,396</td>
<td>1,277,396</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>14,578</td>
<td>14,578</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,291,974</td>
<td>1,291,974</td>
</tr>
</tbody>
</table>
5. LONG-TERM INVESTMENTS

<table>
<thead>
<tr>
<th>Due Dates</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds and debentures 2011 to 2030</td>
<td>8,567,302</td>
<td>8,789,241</td>
</tr>
<tr>
<td>Government bonds 2003 to 2031</td>
<td>21,565,114</td>
<td>22,186,149</td>
</tr>
<tr>
<td></td>
<td>30,132,416</td>
<td>30,975,390</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds and debentures 2008 to 2031</td>
<td>8,723,130</td>
<td>8,652,936</td>
</tr>
<tr>
<td></td>
<td>(70,194)</td>
<td>—</td>
</tr>
<tr>
<td>Write-down to lower of cost or market value</td>
<td>8,652,936</td>
<td>8,652,936</td>
</tr>
<tr>
<td>Government bonds 2014 to 2029</td>
<td>25,902,526</td>
<td>26,122,573</td>
</tr>
<tr>
<td></td>
<td>34,555,462</td>
<td>34,775,509</td>
</tr>
</tbody>
</table>

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

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

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:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>11,810,990</td>
<td>2,731,741</td>
</tr>
<tr>
<td>2004</td>
<td>1,170,638</td>
<td>261,885</td>
</tr>
<tr>
<td>2005</td>
<td>103,281</td>
<td>103,281</td>
</tr>
<tr>
<td>2006</td>
<td>70,300</td>
<td>70,300</td>
</tr>
<tr>
<td>2007</td>
<td>13,155,209</td>
<td>15,981,753</td>
</tr>
<tr>
<td>Less portion payable within one year</td>
<td>(11,810,990)</td>
<td>(12,814,546)</td>
</tr>
<tr>
<td></td>
<td>1,344,219</td>
<td>3,167,207</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th></th>
<th>2001</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Net Book Value</td>
<td>Cost</td>
<td>Net Book Value</td>
</tr>
<tr>
<td>Interest earned</td>
<td>2,114,362</td>
<td>2,011,184</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovery of long-term investments to lower of cost or market value</td>
<td>70,193</td>
<td>98,945</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>761,077</td>
<td>215,760</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,945,632</td>
<td>2,325,889</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Services Society of B.C.</td>
<td>$3,272,500</td>
<td>$3,272,500</td>
</tr>
<tr>
<td>— operating grant</td>
<td>$3,272,500</td>
<td>$3,272,500</td>
</tr>
<tr>
<td>B.C. Courthouse Library Society</td>
<td>$2,190,200</td>
<td>$2,190,200</td>
</tr>
<tr>
<td>— operating grant</td>
<td>$2,190,200</td>
<td>$2,190,200</td>
</tr>
<tr>
<td>Other continuing grants</td>
<td>$6,046,065</td>
<td>$5,892,065</td>
</tr>
<tr>
<td>Major project grants</td>
<td>—</td>
<td>$2,810,496</td>
</tr>
<tr>
<td>Other project grants</td>
<td>$473,923</td>
<td>$263,150</td>
</tr>
<tr>
<td></td>
<td>$11,982,688</td>
<td>$14,428,411</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>Annual Rent Payments $</th>
<th>Total Rent Commitment $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–2007</td>
<td>27,968</td>
<td>139,840</td>
</tr>
<tr>
<td>2008 (4 months)</td>
<td>14,916</td>
<td>14,196</td>
</tr>
<tr>
<td></td>
<td></td>
<td>154,036</td>
</tr>
</tbody>
</table>
Board of Governors
As of December 31, 2002

Don Silversides, Q.C.
Chair of the Board of Governors
Ex-officio member of all committees

Wendy Au
Diversity Committee
Policy and Planning Committee
New Grants Committee

Madam Justice Alison Beames
Bursary, Scholarship and Fellowship Committee
New Grants Committee

Ian Caldwell
Policy and Planning Committee
New Grants Committee
Special Needs Fund Committee

Andrew Croll
Chair of the Bursary, Scholarship and Fellowship Committee
Diversity Committee
New Grants Committee

Barbara Cromarty
Bursary, Scholarship and Fellowship Committee
New Grants Committee

Christine Elliot
Finance and Administration Committee
Special Needs Fund Committee

Madam Justice Victoria Gray
Diversity Committee
Finance and Administration Committee

Sholto Hebenton, Q.C.
Finance and Administration Committee
New Grants Committee
Policy and Planning Committee
Chair of the Special Needs Fund Committee

Paul Love
Chair of the Personnel Committee
Policy and Planning Committee

J. Parker McCarthy, Q.C.
Diversity Committee
New Grants Committee
Policy and Planning Committee

M. Jerry McHale, Q.C.
Cindy McKinley

Marina Pratchett, Q.C.
Chair of the Finance and Administration Committee
Personnel Committee

Heather Raven
Chair of the Policy and Planning Committee
Personnel Committee

Jeffrey Scouten
Finance and Administration Committee
New Grants Committee

Roopchand Seebaran
Bursary, Scholarship and Fellowship Committee
Chair of the Diversity Committee
Finance and Administration Committee
New Grants Committee
Policy and Planning Committee

Peter Warner, Q.C.
Finance and Administration Committee
Chair of the New Grants Committee

Staff Members
As of December 31, 2002

karima budhwani, Program Director
Carol Jones, Administrative Assistant
Jo-Anne Kaulius, Controller
Daphne Morrison, Program Director
Wayne Robertson, Executive Director
Veenu Saini, Program Director
Amy Tam, Administrative Assistant