

**ALBERTA LAW FOUNDATION
CHAIR'S REPORT, 2008**

Financial Highlights

	2008	2007
Revenue	\$63,239,309	\$55,817,407
Grant allocations / Adjustments	\$13,712,594	\$13,841,614
Legal Aid Society	\$14,857,541	\$13,374,431
Administration	\$ 532,221	\$ 430,032
Unrealized gains on investments	\$ 573,693	\$ -----
Excess (deficiency)	<u>\$34,710,646</u>	<u>\$28,171,330</u>

At fiscal year end the Directors elected to transfer additional funds from unrestricted net assets to the Grant Stabilization Fund. The restricted asset account has been established in order to allow funding stability for ongoing programs that otherwise could be adversely affected by volatile fluctuations in both the prime rate and the average balances in lawyers' general trust accounts. The Foundation was able to top up the Grant Stabilization Fund to the full extent of our internal reserve policy. In addition, the Directors were able to set aside an additional amount of \$34,000,000 into the long-term Strategic Reserve. This left a remaining unrestricted net asset balance of almost \$789,000 at year end, which includes the recognition of \$4.4 million in accrued interest revenues.

The Board reviewed 113 regular applications for funding (115 last year) of which 91 were approved (98 last year). In addition, the Board reviewed 23 Special Project Fund applications (17 last year), of which 15 were approved (12 last year).

During the fall of 2007, the Foundation was successful in having an amendment passed to Section 127(7) of the Legal Profession Act that provided for a necessary update of the reference to investments, such that "When investing funds that are not immediately required by the Foundation the Foundation must adhere to prudent investment standards in making investment decisions and in managing the Foundation's total investments."

This amendment was in response to the high reserve balances recently achieved and was followed in February 2008 by the development and approval of a comprehensive Investment Policy Statement. Effective April 1, 2008 in the new fiscal year the marketable securities portfolio has been segregated into three distinct funds, with shorter term, medium term and longer term investment horizons, each with specific investment parameters.

Income from investments for 2007-08 was \$3,716,989, an increase from last year's investment income of \$2,226,304.

Lawyers' general trust account interest earned in 2007-08 totalled \$59,430,161, which is an increase from last year's receipts partly due to the higher average prime rate and balances during the early part of the fiscal year. However, the final quarter of the 2007-08 fiscal year saw the beginning of a dramatic decline in solicitors' interest revenue, owing to the fall in average solicitors' general trust fund balances, and a sizeable reduction in the Bank Prime Rate, on which the interest revenue is based. This rapid reversal has clearly reinforced the rationale for maintaining adequate reserves.

In order to better understand the needs and priorities for legal service delivery in Alberta, the Foundation provided funding for a province-wide mapping exercise, for which Alberta Justice has also contributed significant funding. We look forward to continuing to work closely with both Alberta Justice and Legal Aid as the mapping exercise provides useful guidance for grant making in the future, starting with the plans for a new Calgary Courthouse based Law Information Centre.

General Comments

As noted above, revenue from lawyers' general trust accounts for the fiscal year ending March 31, 2008 was \$59.4 million. 25% of this revenue source is due to the Legal Aid Society of Alberta. In the latest fiscal year the payment due to Legal Aid amounted to \$14.86 million.

The Directors of the Foundation have now established financial reserves in the Grant Stabilization Fund sufficient to allow approximately three years of stable funding for core grant recipients, thus enabling them to better plan for the future. During 2008-09, it is expected that once again some core grantees will merit further strategic increases in their existing core program capabilities, and in some cases to also undertake new program initiatives. Project grant applications will continue to be given due consideration. Because it is difficult to predict interest rate trends and other economic factors, the Foundation reviews annually its core funding budget and other funding initiatives.

The Foundation continues to take seriously its stewardship role in relation to the total trust deposits held in general trust accounts at the various financial institutions. In March 2008, the consolidated average balances in the Province of Alberta were approximately \$1.4 billion. The Foundation believes these deposits should receive fair market-based interest compensation, and endeavours to negotiate competitive banking arrangements with all the financial institutions.

I am very pleased to recognize HSBC Bank Canada for a notable recent improvement to their banking arrangements for lawyers' general trust accounts. The only institution to steadfastly refuse to pay a reasonable interest rate continues to be the National Bank of Canada, with the result that the shortfall in annual interest revenue to the Foundation has in recent years amounted to well over a million dollars per year. The Foundation and its many funded community agencies are most appreciative of the leadership and support of the cooperative financial institutions.

I would like to express my appreciation to the Foundation's Board of Directors and to the staff, David Aucoin and Diana Porter, for their guidance of the Foundation over the past year.

All of which is respectfully submitted.

Steve Raby, Q.C.
Chair, Alberta Law Foundation

July 2008