



NORTHWEST TERRITORIES LAW FOUNDATION

Twenty-Eighth Annual Report for the Fiscal
Year Ending June 30, 2010

NORTHWEST TERRITORIES LAW FOUNDATION



CHAIRMAN'S REPORT

TO: The Legislative Assembly of the Northwest Territories; and
TO: The Executive, Law Society of the Northwest Territories

We are pleased to submit the Twenty-Eighth Annual Report of the Northwest Territories Law Foundation for the year ending June 30th, 2010 pursuant to the *Legal Profession Act*.

The Law Foundation's funds come from the interest earned on private lawyers' trust accounts. Unfortunately, the economic downturn of the past two years has had a negative effect on both the level of business in the Northwest Territories, resulting in less business for private lawyers and lower amounts of capital in trust accounts. Lower interest rates generally mean that the interest banks pay on trust accounts is lower now than in previous years. As well, as more private Northwest Territories law firms close and more Northwest Territories private lawyers leave, there are fewer Territorial trust accounts maintained that provide the interest to the Law Foundation. All of these factors have resulted in greatly reduced funds available for distribution by the Law Foundation to worthy recipients.

The Law Foundation made seven grants during the year totaling \$208,711.94, details of which are outlined in this report.

Some of these funds came as a result of rescinded grants from previous years totaling \$175,000.00. The grants that were rescinded resulted from groups not being able to complete the projects for which they had originally been approved for.

This year the Northwest Territories Law Foundation/Graeme Garson Bursary Fund awarded scholarships residents of the Northwest Territories Christopher Buchanan to attend law school and Moses Hernandez who is pursuing his Masters in Polar Law.

As Chair I am grateful to Board members Sheldon Toner, Douglas G. McNiven, Karen Lajoie and lay member Darrell Beaulieu for their contributions as Directors over the past year and to Wendy Carter for her constant and valuable service as the Executive Manager.

Respectfully submitted this 29th day of October, 2010.

A handwritten signature in black ink that reads "Emerald Murphy".

Emerald Murphy
Chair

PURPOSE

The Northwest Territories Law Foundation was established pursuant to Part VII of the *Legal Profession Act* for the purpose of receiving the interest which banks must pay on clients' funds held by lawyers in mixed trust accounts. It is similar in form to Law Foundations established in most provinces.

OBJECTIVES

The objectives of the Law Foundation are to use the funds collected in this manner to provide funding in the following areas:

- ◆ conducting research into and recommending reform of the law and the administration of justice;
- ◆ establishing, maintaining and operating law libraries;
- ◆ contributing to the legal education and knowledge of members and the people of the Territories and providing programs and facilities for that purpose;
- ◆ providing assistance to legal aid programs and programs of a similar nature;
- ◆ contributing to the Assurance fund; and
- ◆ to do all other things which, in the opinion of the Directors, are incidental or conducive to the attainment of these objects.

ADMINISTRATION

The affairs of the Foundation are conducted by a Board of Directors composed of five members, four being members of the Law Society and appointed by the Executive of the Law Society and one who is not a member of the Law Society and is appointed by the Commissioner. The Directors serve for a term of two years.

The Directors meet as required to decide on policy matters and to deal with the general administration of the Foundation including policy as to the collection and investment of funds. A "grant meeting" is held once a year to consider all requests for funding for that fiscal year.

Administration and management services are provided through an Executive Manager who is engaged on a contract basis.

BOARD OF DIRECTORS – 2009-2010

CHAIR:	EMERALD MURPHY
DIRECTOR:	DOUGLAS G. MCNIVEN
DIRECTOR:	SHELDON TONER
DIRECTOR:	KAREN LAJOIE
LAY MEMBER:	DARRELL BEAULIEU
EXECUTIVE MANAGER:	WENDY CARTER

SCHOLARSHIPS

The Northwest Territories Law Foundation/Graeme Garson Bursary Fund has monies available to assist law students in pursuing their legal studies. Changes to the Fund were made in the last year in an attempt to encourage NWT graduates of law school to return to work in the NWT after their law studies. Qualified applicants may now be eligible for an award of \$2,000 per year for three years while attending law school and this money is not repayable. When the NWT student secures an articling position in the NWT, and if they continue to work in the NWT for an additional year after articles, the Fund will assist them in the amount of \$7,000 per year for two years, for an overall commitment of \$20,000 per student.

For information about the Northwest Territories Law Foundation and to request financial assistance forms, write or telephone:

Wendy Carter
Executive Manager
The Northwest Territories Law Foundation
P.O. Box 2594
YELLOWKNIFE, NT X1A 2P9
Telephone: (867) 873-8275
Facsimile: (867) 873-6383
E-mail: action@theedge.ca

Scholarships for the school year 2009/2010 were awarded to Christopher Buchanan in the amount of \$5,000.00 and Moses Hernandez in the amount of \$5,000.00.

GRANTS AWARDED

2010-2011 BAR ADMISSION COURSES - \$10,000.00

To assist in defraying the costs of registration fees for N.W.T. articling students enrolled in the Bar Admission courses for 2010/2011.

CBA – CANLII PROJECT - \$11,711.94

To assist in the CANLII project (a Virtual Law Library).

YELLOWKNIVES DENE FIRST NATION - \$110,000.00

To assist in providing a Community Justice Initiatives Program for 2009/2010 that serves the communities of Dettah, N'dilo and Yellowknife.

INDIGENOUS BAR ASSOCIATION - \$2,000.00

To assist in the Indigenous Bar Association Elders' Gathering on Oral History Evidence held March 29 – 31, 2010 at Turtle Lodge, Manitoba.

GNWT – COURT LIBRARY - \$60,000.00

To assist in the acquisition of both print and electronic resources materials for the M.M. de Weerd Law Library.

NATIVE LAW CENTRE -\$15,000.00

To assist and encourage Aboriginal people to enter the study of law at the University of Saskatchewan's Native Law Centre.

JOHN U. BAYLY MEMORIAL FUND

The John U. Bayly Memorial Fund was established in the memory of the late John U. Bayly, Q.C., a prominent member of the NWT Bar for 30 years, to encourage and facilitate the development of mediation skills to a resident member in good standing of the NWT Bar. No applications were received in 2009/2010. Members of the NWT Bar are encouraged to apply for funding.

NORTHWEST TERRITORIES LAW FOUNDATION
Yellowknife, NT

FINANCIAL STATEMENTS
For the year ended June 30, 2010

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THE NORTHWEST TERRITORIES LAW FOUNDATION



MANAGEMENT'S RESPONSIBILITY FOR REPORTING

To the Members of
Northwest Territories Law Foundation

The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian generally accepted accounting principles. Where necessary the statements include amounts that are based on informed judgments and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. The Board's management recognizes its responsibility for conducting the Board's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate.

The accounting firm of Avery, Cooper & Co., Certified General Accountants annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements in accordance with Canadian generally accepted auditing standards.

A handwritten signature in black ink, appearing to read "Leonard Murphy".

On behalf of the Board of Directors

October 19, 2010

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TELEPHONE: (867) 873-8275 FACSIMILE: (867) 873-6383
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AVERY, COOPER & Co.

Certified General Accountants

Toll-Free: 1-800-661-8787
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Gerald F. Avery, FCGA
W. Brent Illickey, B. Comm., C.G.A.
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AUDITORS' REPORT

To the Members of
Northwest Territories Law Foundation

We have audited the Statement of Financial Position of Northwest Territories Law Foundation as at June 30, 2010 and the Statements of Changes in Fund Balances, Operations, and Cash Flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Avery, Cooper & Co.

Avery, Cooper & Co.
Certified General Accountants
Yellowknife, NT

October 19, 2010



AVERY COOPER IS A MEMBER OF MSI, AN INTERNATIONAL ASSOCIATION OF INDEPENDENT PROFESSIONAL FIRMS

NORTHWEST TERRITORIES LAW FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

	2010	2009
CURRENT		
Cash	\$ 204,962	\$ 105,354
Accounts receivable (note 3)	36,210	33,635
Prepaid expenses	1,289	-
	242,461	138,989
INVESTMENTS (note 4)	1,216,533	1,306,571
	\$ 1,458,994	\$ 1,445,560


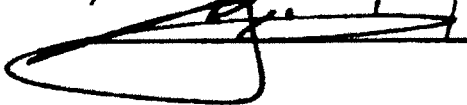
LIABILITIES

CURRENT		
Trade payables and accruals	\$ 7,389	\$ 4,200
Grants payable	208,712	217,847
Scholarships payable	5,000	7,500
	221,101	229,547

FUND BALANCES

UNRESTRICTED	963,439	953,974
GRAEME GARSON BURSARY FUND	263,366	251,381
JOHN U. BAYLY MEMORIAL FUND	11,088	10,658
	1,237,893	1,216,013
	\$ 1,458,994	\$ 1,445,560

Approved:

 Director
 Director

NORTHWEST TERRITORIES LAW FOUNDATION

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended June 30, 2010

	2010			
	Total	Unrestricted	Graeme Garson Bursary Fund	John U. Bayly Memorial Fund
BALANCE, opening	\$ 1,216,013	\$ 953,974	\$ 251,381	\$ 10,658
Excess of revenue over expenses	21,880	9,465	11,985	430
BALANCE, closing	\$ 1,237,893	\$ 963,439	\$ 263,366	\$ 11,088
	2009			
	Total	Unrestricted	Graeme Garson Bursary Fund	John U. Bayly Memorial Fund
BALANCE, opening	\$ 1,303,554	\$ 1,010,074	\$ 282,245	\$ 11,235
Deficiency of revenue over expenses	(87,541)	(56,100)	(30,864)	(577)
BALANCE, closing	\$ 1,216,013	\$ 953,974	\$ 251,381	\$ 10,658

NORTHWEST TERRITORIES LAW FOUNDATION

STATEMENT OF OPERATIONS

For the year ended June 30, 2010

	<u>2010</u>	<u>2009</u>
REVENUE		
Unrestricted Fund - Schedule 1	\$ 255,046	\$ 106,524
Graeme Garson Bursary Fund - Schedule 2	19,485	(24,245)
John U. Bayly Memorial Fund - Schedule 3	<u>430</u>	<u>523</u>
	<u>274,961</u>	<u>82,802</u>
EXPENSES		
Unrestricted Fund - Schedule 1	245,581	162,624
Graeme Garson Bursary Fund - Schedule 2	7,500	6,619
John U. Bayly Memorial Fund - Schedule 3	<u>-</u>	<u>1,100</u>
	<u>253,081</u>	<u>170,343</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 21,880</u>	<u>\$ (87,541)</u>

NORTHWEST TERRITORIES LAW FOUNDATION

STATEMENT OF CASH FLOWS For the year ended June 30, 2010

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from interest of members' trust accounts	\$ 13,263	\$ 146,740
Cash receipts from back interest	-	1,983
Cash receipts from scholarships reimbursed	2,200	2,034
Cash receipts from ACLF meetings expense reimbursed	1,738	7,583
Cash receipts from investment income	33,900	184,313
Cash paid for grants	(42,319)	(191,493)
Cash paid for scholarships	(10,000)	(7,500)
Cash paid for materials and services	<u>(34,969)</u>	<u>(38,106)</u>
	(36,187)	105,554
CASH FLOWS FROM INVESTING ACTIVITY		
Decrease (increase) in investments	<u>135,795</u>	<u>(590,451)</u>
INCREASE (DECREASE) IN CASH	99,608	(484,897)
CASH, opening	<u>105,354</u>	<u>590,251</u>
CASH, closing	<u>\$ 204,962</u>	<u>\$ 105,354</u>

NORTHWEST TERRITORIES LAW FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

1. NATURE OF OPERATIONS

Northwest Territories Law Foundation was incorporated under the Legal Profession Act of the Northwest Territories. The Foundation's activities include conducting research, establishing law libraries and contributing to the legal education and knowledge of members and the people of the Northwest Territories. The Foundation is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) Fund accounting

The accounts of the Foundation are maintained in accordance with the restricted fund method. A fund is a set of accounts established to classify resources according to specific activities. The following funds are maintained:

Unrestricted Fund - To record general program delivery and administrative activities of the Foundation. Unrestricted revenue from interest and investment income are included in revenue when received or receivable. Externally restricted income for which no corresponding restricted fund is presented is included in this fund in accordance with the deferral method. Interest revenue on member trust accounts with chartered banks is recorded when earned.

Restricted Funds - To record resources with stipulations imposed on their use. Restrictions may be imposed externally by the contributor of the resources who requests that the funds be held in trust, or internally by decisions of the Foundation. Revenue from interest and investment income are included in revenue of the attributable restricted fund when received or receivable. The Foundation currently has two funds internally restricted by the Board including the Graeme Garson Bursary Fund, and the John U. Bayly Memorial Fund. The Bursary Fund was established to provide interest income which finances a scholarship program for law studies. The Memorial Fund was established to encourage and facilitate the development of mediation skills. The Foundation does not maintain separate cash accounts in Restricted Funds. As such, Restricted Funds are funded from cash held by the Unrestricted Fund through the use of interfund balances.

Grants and scholarships are recorded as expenses in the year that the payment was approved.

(b) Contributed services

The Foundation has elected not to recognize contributed materials and services in these financial statements.

NORTHWEST TERRITORIES LAW FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Financial instruments

The Foundation classifies cash, consisting of cash with banks and investment managers, as held-for-trading. Accounts receivable is classified as loans and receivables and recorded at amortized cost. Trade payables and accruals, grants, and scholarships payable, are classified as other liabilities and recorded at amortized cost.

(d) Cash equivalents

The Foundation considers cash on hand, balances with banks, and cash held with investment managers to be cash and cash equivalents of the Unrestricted Fund.

(e) Investments

Investments, consisting of mutual funds, fixed income bonds, and Canadian equities, are designated as held-for-trading and recorded at fair value. Fair value is determined in full by direct reference to published price quotations in an active market. Changes in the fair value of investments during the year are included in revenue of the appropriate fund as unrealized investment income or losses for the period in which it arises. All purchases and sales of investments are recorded using settlement-date accounting, and all transaction costs are expensed when paid. One quarter of total investment income or loss is allocated from the Unrestricted Fund to the Bursary Fund.

(f) Capital assets

The Foundation expenses its capital assets when acquired.

(g) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(h) Prior year's figures

Prior year's figures have been restated, where applicable, to conform to current year's presentation.

NORTHWEST TERRITORIES LAW FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

3. ACCOUNTS RECEIVABLE

	2010	2009
Student scholarships reimbursable	\$ 31,100	\$ 33,300
Interest receivable from members' trust accounts	5,110	335
	\$ 36,210	\$ 33,635

4. INVESTMENTS

Investments are recorded at fair value and consist of the following:

	2010	2009
Mutual funds (Market value: \$188,391; 2009 - \$248,959)	\$ 461,910	\$ 450,205
Fixed income bonds (Cost: \$170,445; 2009 - \$559,036)	173,903	565,341
Equities (Cost: \$628,475; 2009 - \$343,870)	580,720	291,025
	\$ 1,216,533	\$ 1,306,571

Included in mutual funds above is a guaranteed investment from Manulife with an original cost of \$461,910, recorded at discounted value using a 2.60% interest rate, and is guaranteed to provide a return equal to the greater of the market value of the investment at maturity, and cost. The investment matures October 10, 2010. Investment income for the year from this guaranteed investment is \$11,705 (2009 - \$11,409) and is included in unrealized gains (losses) of \$132,063 (2009 - \$-221,791) in note 6.

As at June 30, 2010, the Foundation's Unrestricted Fund has interfund balances owing to the Bursary Fund, and to the Memorial Fund of \$263,366 (2009 - \$251,381), and \$11,088 (2009 - \$10,658), respectively. These interfund balances are non-interest bearing and due on demand. However, no repayment terms have been specified. Amounts on the Statement of Financial Position represent the total for all Funds. As such, interfund balances have been eliminated.

5. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, accounts receivable, investments, trade payables and accruals, grants payable, and scholarships payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest rate, market, currency, credit or liquidity risks arising from these financial instruments, unless otherwise noted. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

NORTHWEST TERRITORIES LAW FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

5. **FINANCIAL INSTRUMENTS, continued**

The Foundation is exposed to significant market risk through its investments. Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.

The Foundation is exposed to significant interest rate risk through its investments and interest received on the members' trust accounts. Interest rate risk is the risk that the value of investments will fluctuate as a result of changes in market interest rates.

6. **INVESTMENT INCOME (LOSS)**

Investment income (loss) for the year by Fund, net of realized and unrealized gains and losses, is as follows:

	2010	2009
Unrestricted (Schedule 1)	\$ 59,743	\$ (72,744)
Graeme Garson Bursary Fund (Schedule 2)	19,484	(24,245)
John U. Bayly Memorial Fund (Schedule 3)	430	523
Total investment income (loss) for the year	\$ 79,657	\$ (96,466)

Investment income (loss) for the year is net of realized gains (losses), and unrealized gains (losses) as follows:

	2010	2009
Realized gains (losses)	\$ (52,406)	\$ 125,325
Unrealized gains (losses)	132,063	(221,791)
	\$ 79,657	\$ (96,466)

Included in realized gains (losses) of -\$52,406 (2009 - \$125,325) is -\$39,305 (2009 - \$93,600), -\$13,384 (2009 - \$31,203), and \$283 (2009 - \$523) for the Unrestricted Fund, Bursary Fund, and Memorial Fund, respectively.

Included in unrealized gains (losses) of \$132,064 (2009 - \$-221,790) is \$99,048 (2009 - \$-166,343), \$32,303 (2009 - \$-55,448), and \$713 (2009 - \$nil) for the Unrestricted Fund, Bursary Fund, and Memorial Fund, respectively.

The remaining terms to maturity of fixed income bonds at fair value (see note 4), along with the average effective yields of each maturity, are as follows:

NORTHWEST TERRITORIES LAW FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

6. INVESTMENT INCOME (LOSS), continued

	<u>2010</u>	<u>2009</u>
Within 1 year (Yield: 1.10%; 2009 - 1.254%)	\$ 15,398	\$ 382,416
1 - 5 years (Yield: 2.47%; 2009 - 3.050%)	80,232	119,087
5 - 10 years (Yield: 3.09%; 2009 - 1.633%)	<u>78,273</u>	<u>63,838</u>
Total fixed income bonds (Yield: 2.64%; 2009 - 1.675%)	<u>\$ 173,903</u>	<u>\$ 565,341</u>

7. CONTRACTUAL OBLIGATION

The Foundation's total obligation under an administration services agreement which expires June 30, 2011 is as follows:

2011	<u>\$ 22,050</u>
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NORTHWEST TERRITORIES LAW FOUNDATION

SCHEDULES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

SCHEDULE OF JOHN U. BAYLY MEMORIAL FUND

Schedule 3

	<u>2010</u>	<u>2009</u>
REVENUE		
Investment income (note 6)	\$ 430	\$ 523
EXPENSES		
Grants	<u>-</u>	<u>1,100</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	<u>\$ 430</u>	<u>\$ (577)</u>

