



**The Law Foundation of Ontario**  
*Building a better foundation for justice in Ontario*

2006 **Annual Report**



*Grade 10 LAWS Program students from Central Technical School at Old City Hall Courthouse*

## Introduction

The Law Foundation of Ontario was established in 1974, under an amendment to the Law Society Act, to establish and maintain a fund to be used for legal education and legal research, legal aid and the establishment, operation, and maintenance of law libraries. The Law Society Act is the governing legislation of lawyers in Ontario.

The Law Foundation of Ontario is governed by a five-member Board of Trustees who are appointed by the Law Society of Upper Canada and by the Attorney General of Ontario.

The Law Foundation achieves its mandate by awarding grants to organizations for law-related projects and initiatives. From its inception in 1974, the Law Foundation has given out over \$160 million in grants to various organizations and individuals. During the same time, the Law Foundation gave approximately \$500 million to Legal Aid Ontario.

As directed by the Law Society Act, The Law Foundation of Ontario is funded by the interest earned on monies held in lawyers' mixed trust accounts.

### W E M O V E D !

*In 2006, the LFO moved to a larger office space.*

The Law Foundation of Ontario is located at:  
20 Queen Street West, Suite 3002  
Box 19, Toronto, ON M5H 3R3  
[www.lawfoundation-on.org](http://www.lawfoundation-on.org)

Tel: 416.598.1550 Fax: 416.598.1526

### Contents

Report from the Chair. . . . .	2
Board of Trustees, Staff . . . . .	4
Grantee Highlights & Events . . . . .	5
Grants Authorized During 2006 . . . . .	9
Report on Class Proceedings . . . . .	13

#### Financial Statements:

Auditor's Report . . . . .	19
Statement of Financial Position . . . . .	20
Statement of Revenue, Expenses and Grants . . . . .	22
Statement of Changes in Fund Balances . . . . .	24
Statements of Cash Flows . . . . .	25
Notes to Financial Statements. . . . .	26

## Our Vision

The Law Foundation of Ontario is a catalyst for advancing the ideal of a truly accessible justice system. The LFO is recognized as a leader, working through creative partnerships to sustain and strengthen the development of a just society.

## Our Mission

The Law Foundation of Ontario is committed to the advancement of legal knowledge, excellence within the legal profession and community participation in the legal system. The LFO funds programs and initiatives that promote and enhance access to justice for all Ontarians.



## Report from the Chair

THE LAW FOUNDATION OF ONTARIO HAS A LONG TRADITION OF FUNDING WORTHWHILE PROGRAMS FOR LAW-RELATED ACTIVITIES. OUR 33-YEAR HISTORY DEMONSTRATES OUR COMMITMENT TO SUPPORTING THE LEGAL COMMUNITY AND PROMOTING EXCELLENCE WITHIN THE PROFESSION. OVER TIME, THE LFO HAS INCREASINGLY FOCUSED ITS EFFORTS ON ENCOURAGING COMMUNITY PARTICIPATION IN THE JUSTICE SYSTEM AND TO FUNDING INITIATIVES FROM AN EVER-WIDENING RANGE OF PUBLIC INTEREST ORGANIZATIONS. AS SHOWN IN THIS ANNUAL REPORT, A PRIORITY IN 2006 WAS TO ESTABLISH AND STRENGTHEN PARTNERSHIPS AND HELP THE CITIZENS OF ONTARIO REALIZE THE GOAL OF A JUST SOCIETY. WE SOUGHT TO WORK MORE STRATEGICALLY AND FOCUS ON LONG-TERM ENDEAVOURS THAT REFLECT COMMUNITY ENGAGEMENT AND INNOVATION.

Three initiatives from 2006 particularly illustrate our commitment to achieving these objectives: the Community Leadership in Justice Fellowships, the Law and Innovation Fund and the Law Commission of Ontario.

**The Community Leadership in Justice Fellowships** were created to bring leaders from public interest organizations which interact with the legal system to Ontario universities, colleges and law schools to spend one academic term in residence. The goal of these partnerships is to provide an enriching, challenging experience to the recipient, to expose the host academic community to distinct perspectives on law and the justice system and encourage more collaboration between community-based organizations and academia.

Two individuals who represent true leadership in advocating important social issues were selected: Kimberly Murray, Executive Director of Aboriginal Legal Services of Toronto was chosen to undertake research at Ryerson University, on Aboriginal deaths in custody; and Kim Pate, Executive Director of the Canadian Association of Elizabeth Fry Societies, was selected to coordinate the program “**Increasing Women’s Access to Justice**” at the University of Ottawa.

The response to the Fellowship was extremely positive. The initiative was recognized as an exciting and unique opportunity that enriched the professional and academic experiences of both the Fellows and host institutions.

The LFO expanded its outreach with the **Law and Innovation Fund**. The Fund was established in the Fall of 2006 as a means to identify opportunities to assist marginalized groups learn about and act on their legal rights. The aim was to fund projects that address critical gaps and under-resourced population groups, and projects that focus on issues in new or different ways.

Applications for funding were solicited in six categories: the working poor; Ontarians living in rural or remote parts of the province; Aboriginal people, particularly non-urban and non-English-speaking; linguistic minorities; women who are victims of domestic violence, particularly those who do not speak English and who reside in rural or remote areas of the province; and people with mental health challenges.

The response to this new initiative was overwhelming. Almost 150 applications from across the province were received for consideration. In fact, the response was so great that the

*"The LFO has increasingly focused its efforts on encouraging community participation in the justice system and to funding initiatives from an ever-widening range of public interest organizations."*

*— Larry Banack, Chair*



Fund has essentially doubled the number of grants the LFO will disburse in 2007. The success of this initiative underscored the challenges of accessibility to justice and the LFO's resolve to meet them.

In January 2006, the LFO became a proud partner in the establishment of a new **Law Commission of Ontario**. Together, the LFO, the Ministry of the Attorney General, the Law Society of Upper Canada, and Ontario's Law Schools, created the Commission with a mandate to work with government, the legal profession, the judiciary, the faculties and students of all Ontario law schools and the public to examine issues of significant interest and importance and develop recommendations designed to improve the administration of Ontario's justice system and enhance access to justice.

While we are enthusiastic about the launching of these new initiatives, we are equally proud of our continued support of established programs and institutions, many of which are highlighted in subsequent pages of this Report.

I also take this opportunity to acknowledge the efforts of my fellow Trustees – their commitment to the LFO is what carries our ideals into working programs that are effective, innovative and even inspiring. 2006 also marked an important milestone for one of our former Trustees, the Honourable Laurence

Pattillo, who served on the LFO Board from 2004 to 2006. He was appointed to the Ontario Superior Court and we extend our best wishes to him as he begins a new chapter in his professional career. The Board welcomed Mark Sandler, appointed by the Law Society of Upper Canada, to replace him.

The Class Proceedings Committee also underwent some changes. The terms of former CPC Chair, Robert Munroe and CPC member, Brian Bellmore came to an end in 2006. We offer our gratitude for their dedicated service.

My thanks and appreciation are also extended to our hardworking LFO staff whose efforts help us to carry out this important work in the public interest. Together, we strive to rise to the challenge of promoting access to justice for the people of Ontario.

A handwritten signature in dark ink, appearing to read 'LBB', enclosed in a circular scribble.

*Larry Banack,  
Chair*

## Board of Trustees

### Appointed by the Law Society of Upper Canada:



*Larry Banack, Chair*  
Koskie Minsky LLP  
Barristers and Solicitors,  
Toronto, Ontario



*E. Susan Elliott*  
Good Elliott Hawkins LLP  
Barristers and Solicitors,  
Kingston, Ontario



*Mark J. Sandler*  
Cooper, Sandler & West  
Barristers and Solicitors,  
Toronto, Ontario

### Appointed by the Attorney General of Ontario:



*Mark D. Leach*  
Assistant Deputy Attorney  
General  
Policy Division,  
Ministry of the Attorney  
General



*Professor Lorne M. Sossin*  
Associate Dean, Faculty of Law,  
University of Toronto

## Staff



### *Seated (left to right):*

*Adriana Suppa*, Communications Advisor  
*Arta Tafaj*, Administrative Co-ordinator  
(Accounting & Compliance)  
*Irene Geridis*, Manager, Accounting &  
Administration  
*Taciana Estrela*, Office Assistant

### *Standing (left to right):*

*Toomie Allen*, Administrative Co-ordinator  
(Grants and Class Proceedings Committee)  
*Alida De Lorenzi*, Grants Officer  
*Mary Shannon Brown*, Executive Director  
*Elizabeth Goldberg*, Chief Executive  
Officer  
*Barbara Stewart*, Administrative Assistant  
*Gina Papageorgiou*, Counsel, Class  
Proceedings Committee

## Grantee Highlights & Events



*Chief Justice Roy McMurtry with Claudia Belda and Evelyn Baxter of Nishnawbe-Aski Legal Services Corporation at the Pro Bono Awards Dinner held in conjunction with the First National Pro Bono Conference.*



*The Rt. Hon. Beverley McLachlin, P.C., CJC with the 2006 PBSC Coordinators at the University of Ottawa.*



*Kimberly Murray - Community Leadership in Justice Fellow*

### Pro Bono Law Ontario (PBLO)

The LFO continued its funding of Pro Bono Law Ontario (PBLO) - an organization that facilitates access to justice in Ontario by creating and promoting opportunities for lawyers to provide pro bono legal services to persons of limited means. The number of clients served through its in-house projects increased by nearly 70% compared to the previous year – largely due to concerted community outreach efforts, particularly for **Volunteer Lawyers Service** and the **Child Advocacy Project**. Its website, [www.pblo.org](http://www.pblo.org), which was revamped in 2005-2006, logged almost 80,000 visits.

**PBLO began working with five new firms in 2006 and launched a number of new pro bono projects, including:**

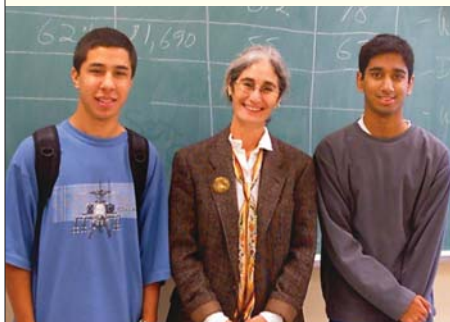
- Small Claims Court Pilot projects in Toronto and Kingston. The Toronto pilot uses four firms that provide 24 volunteers each;
- Unaccompanied Minors Project in partnership with McCarthy Tétrault and the Immigration & Refugee Board;
- Two Community Development Initiatives a) McCarthy Tétrault with Artscape; b) Paliare Roland with the Workers Action Centre; and
- Habitat for Humanity Wills & Estates Project in partnership with Baker & McKenzie LLP and corporate client, Manulife Financial.

In 2006, the organization also obtained charitable status and co-hosted its first-ever National Pro Bono Conference, followed by the annual Pro Bono Awards Dinner. As a result of the conference, five new firms approached PBLO with requests to develop pro bono policies and pro bono projects. The conference was also the catalyst for the development of organized pro bono services outside Ontario. Alberta and Quebec will be launching their own province-wide pro bono resource centres.

### Pro Bono Students Canada (PBSC)

2006 marked the tenth anniversary of Pro Bono Students Canada, a student-driven organization with chapters in seven Ontario law faculties. PBSC runs a wide variety of programs that enrich law students' education through practical experience while delivering much needed legal assistance to under-represented communities.





*CCLET's Danielle McLaughlin with high school students after a workshop.*



*LAWs students from Central Technical School with Justice Marion Lane (seated) and Grace Russell of the Judicial Support office and His Worship Mark Conacher (back row).*



*Students from Manitoulin High School act as counsel in a mock sentencing at the Gore Bay Courthouse. (part of a OJEN's Courtroom & Classrooms Programs)*

**PBSC Highlights:**

**The Community Placement Program:** 1,500 Ontario law students provided legal information to over 300 public interest organizations. More than 80,000 hours of free legal assistance were provided. At the Osgoode Hall chapter, student participation increased by over 50%. **The Long-Distance Pro Bono Placement Program: Pro Bono Law Ontario,** with the support of the University of Windsor PBSC chapter laid the foundation for a new Telejustice Project to provide Ontario aboriginal people living on reserves with legal information and advice. **The Pro Bono Education and Awareness Program:** The pro bono ethic is promoted through exciting speakers and dynamic events. In 2006, the PBSC chapters at the Common Law and Civil Law sections of the University of Ottawa welcomed the Chief Justice of Canada, the Right Honourable Beverley McLachlin, who spoke at their fall event. **The Court & Tribunal Program:** This program enables law students to provide free services to litigants who do not qualify for legal aid and cannot afford to secure legal representation. In 2006, the University of Western Ontario established such a program to serve the London Family Law Courts. The PBSC Queen's chapter piloted a similar project at the Kingston Small Claims Court. Across the province over 100 law students participated in similar projects. **The Multidisciplinary Program:** These multi-service projects engage students from several disciplines. In 2006, the University of Toronto chapter partnered with the Joint Program in Journalism offered by the University of Toronto and Centennial College to develop a Documentary Project. U of T/ Centennial journalism students will document the work of PBSC students at Lake Ontario Waterkeeper. **The Global Advocacy Program:** This program develops materials and courses on public interest advocacy skills, strategies and tactics. In 2006, PBSC offered an advocacy course to pre-law university students for the second year in a row and conducted international advocacy research.

**Canadian Civil Liberties Education Trust (CCLET)**

Another example of the LFO's commitment to promoting justice education is our support of the **Canadian Civil Liberties Education Trust (CCLET)**. The CCLET is a non-profit research and educational organization created by the **Canadian Civil Liberties Association**. Its mandate is to stimulate students to think more deeply and relevantly about civil liberties issues. The primary method is discussion and debate. The LFO funds the **Civil Liberties in Schools** project, which provides free workshops, seminars and in-class sessions in schools, educational institutions, and faculties of education. The LFO also supports the **CCLET Fundamental Freedoms Conference** which celebrated its tenth anniversary in 2006, and we are pleased that thousands of students from various secondary schools and universities take part in these conferences, workshops, and discussions, that centre around fundamental civil liberties and human rights issues.

*Legal Aid Ontario  
As required by  
legislation,  
(the Law Society Act),  
75% of the LFO's net  
income is allotted to  
Legal Aid Ontario. In  
2006, that amount  
totaled \$46,849,804.*





*Guthrie Award recipient, Martin Teplitsky with LFO Trustee, Lorne Sossin.*



*Second Chance Scholarship Recipient, Lamar Beckford  
Photo courtesy of Dave Upham, Ryerson University*



*Kim Pate, Community Leadership in Justice Fellow*

### Law in Action Within Schools

The **Law in Action Within Schools (LAWS)** program was begun at two Toronto high schools: Central Technical School and Harbord Collegiate Institute. A partnership between the University of Toronto Faculty of Law and the Toronto District School Board, this program offers academic and extra-curricular learning opportunities designed to teach inner-city students about law and justice, and to support them to graduate from high school and access post-secondary education.

LAWS works closely with high school teachers, Faculty of Law students, professors and alumni, and other legal professionals to deliver classroom workshops on cutting-edge legal topics, a weekly tutoring/mentoring program, mock trials, career fairs, job shadowing and paid summer job placements.

### Ontario Justice Education Network

In 2006, the **Ontario Justice Education Network (OJEN)** continued to successfully expand many of its core programs and also began new partnerships. OJEN's mandate is to encourage justice education and dialogue and provide all Ontario youth with positive exposure to the justice system. The LFO is pleased that the association between our two organizations has been extremely fruitful in terms of the implementation of more outreach initiatives.

Outreach to aboriginal youth and communities included three projects. The Circuit Court Justice Education Project, offered in partnership with Nishnawbe-Aski Legal Services and Legal Aid Ontario, was launched in 2006 and is an example of increasing services to under-served communities. OJEN organized a "Sentencing Symposium" for students on Manitoulin Island, designed to educate about sentencing principles and compare sentencing practices for aboriginal and non-aboriginal offenders. Preparations are also underway with the Mnjikaning First Nation for a holistic educational event.

OJEN's signature program, Courtrooms & Classrooms, also continued in a positive vein as the numbers of students served continued to grow significantly. While participating in one of the Courtrooms & Classrooms programs, (i.e. Judge Shadowing, Courthouse and School visits, Mock Hearings, etc.), in excess of 55,000 students visited Ontario courthouses in 2006.

### Debt Repayment Assistance Program (D-RAP)

The **Debt Repayment Assistance Program** was developed as a collaborative initiative between the LFO and Ontario law schools. D-RAP will offer selected recent graduates who are pursuing careers in public interest law, financial assistance for meeting their educational debt repayment obligations.

By providing financial assistance to graduates who make a commitment to careers in public interest law, it is hoped the program will enable and encourage them to follow career paths in less well-remunerated public interest and law practice areas.

### Public Interest Articling Fellowships

In 2006, the LFO again offered the **Public Interest Articling Fellowships**. The Fellowships respond to a significant need within the public interest community and a desire among law students to gain experience in public interest law. By bringing together articling students and organizations, the program is making a substantial contribution to public interest law in Ontario. The Fellowships, established in 2005, will enable more law students to article full-time for public interest organizations by providing financial backing to organizations that would otherwise have no access to funds for an articling position. In 2006, five articling Fellowships were renewed for the 2007-2008 articling period at the following public interest organizations: Amnesty International Canada (Ottawa); the Barbra Schlifer Commemorative Clinic (Toronto); the Canadian Internet Policy and Public Interest Clinic (Ottawa); Lake Ontario Waterkeeper (Toronto); and the Public Interest Advocacy Centre (Ottawa). In early 2007 a sixth fellowship was awarded to the Canadian Civil Liberties Association for the 2007-2008 articling period.

The LFO extends its thanks and appreciation to Pro Bono Students Canada (PBSC), which has strong connections with both public interest organizations and law students throughout the province and which will continue to administer the program.

### The Community Leadership in Justice Fellowships

In 2006, the **Community Leadership in Justice Fellowships** were created to encourage partnerships between public interest organizations that interact with the justice system and universities, colleges and law schools. It is hoped that the fellowships will strengthen the bond between academic institutions and public interest organizations resulting in ongoing partnerships to provide research opportunities, internships, etc.

The Fellowships will enhance academia's understanding of issues facing public interest organizations and the broader community and promote a better alignment of academic and community agendas. The Fellowships will also broaden and enrich the faculty and students' academic experience through innovative and facilitative approaches to teaching and learning. It is also hoped that as a result of the experience, the Fellows themselves will be stimulated and inspired to bring new insights to their respective organizations.

Kim Pate, Executive Director of the Canadian Association of Elizabeth Fry Societies, is a recipient of a Community Leadership in Justice Fellowship. She taught the program "Increasing Women's Access to Justice" at the University of Ottawa Law School, Common Law Section.

Kimberly Murray, Executive Director of Aboriginal Legal Services Toronto is also recipient of a Fellowship. During her Fellowship, she conducted research at the Ryerson University on Aboriginal deaths in custody in Canada and also organized a Lecture Series for community activists, legal reformers and community agencies involved in Aboriginal issues.

### Guthrie Award

On November 8, 2006, **Martin Teplitsky** received the Law Foundation of Ontario's 2006 **Guthrie Award**. The award is bestowed upon individuals or organizations which carry out outstanding public service, make significant contributions to access to justice and symbolize excellence in the legal profession. The LFO was proud to include Martin Teplitsky among its esteemed group of Guthrie recipients. He has dedicated many volunteer hours to social justice causes. Mr. Teplitsky is especially passionate about and recognized for the Lawyers Feed the Hungry Program, a program he established eight years ago which operates out of Osgoode Hall. The initiative operates three days a week and on average serves more than 1300 meals per week.

In the spring of 2005, he was instrumental in developing a groundbreaking collaboration between a law school and the Toronto District School Board. Thanks in large part to his efforts, the Law in Action Within Schools (LAWS) program, an initiative which the LFO also funds, became the first law and justice themed high school program in the country.

Mr. Teplitsky is known as a great supporter of the University of Toronto Law School and has created two bursaries: The Jack & Ida Teplitsky Memorial Bursary in memory of his parents, and the Teplitsky Colson Entrance Scholarship.

### The Roy and Ria McMurtry Endowment

The Law Foundation of Ontario established the **Roy and Ria McMurtry Endowment in 2005** to honour the Chief Justice, The Honourable Roy McMurtry, upon his receipt of the LFO's Guthrie Award.

In 2006 the Endowment was awarded to the Second Chance Scholarship Foundation, who in turn awarded the money to go directly toward a youth's tuition at Ryerson University. The Second Chance Scholarship Foundation provides post-secondary education scholarships to youth who are or have been involved in the criminal justice system or are at risk of becoming involved in the criminal justice system. The recipient of the 2006 scholarship was Lamar Beckford. He resides in the Scarborough community of Malvern and is a well-rounded student and also a core member of **idream**, an organization which seeks to eliminate the increasing gun and gang violence in Toronto.

## Grants Authorized During 2006

<b>Association In Defence of the Wrongly Convicted (AIDWYC)</b> Program Activities 2006/2007	\$100,000
<b>Black Law Students' Association of Canada</b> <i>14<sup>th</sup> Annual Conference</i>	\$56,907
<b>Canadian Association of Law Teachers</b> <i>Graduate Students Travel Subsidies</i>	\$6,000
<b>Canadian Civil Liberties Education Trust</b> <i>Teaching Civil Liberties Project</i> <i>Building Sustainability</i>	\$201,450 \$25,000
<b>Canadian Forum on Civil Justice</b> <i>Into the Future – The Agenda for Civil Justice Reform Part II</i> <i>General Operating Contribution</i>	\$44,658 \$50,000
<b>Canadian Institute for the Administration of Justice</b> <i>Annual Conference – Sustainable Development and the Law</i>	\$15,000
<b>Canadian Legal Information Institute (CanLII)</b> <i>Proposal Development Support</i> <i>Historical Collections</i>	\$8,500 \$471,000
<b>Chief Justice of Ontario's Advisory Committee on Professionalism</b> <i>Colloquia on the Legal Profession – Evaluation Support</i>	\$5,000
<b>Debt Repayment Assistance Program (D-RAP)</b> <i>A collaborative initiative between The Law Foundation of Ontario and Ontario law schools, D-RAP offers selected recent graduates, who are pursuing careers in public interest law, financial assistance for meeting their educational debt repayment obligations.</i>	\$925,000 (over 5 years)
<b>Family Mental Health Network, The</b> <i>From Rollercoaster to Recovery</i>	\$10,000
<b>Gale Cup Moot Committee</b> <i>Gale Cup Moot 2007</i>	\$35,000
<b>Indigenous Law Journal</b> <i>Indigenous Law Journal Conference</i>	\$25,000
<b>International Law Association, Canadian Branch</b> <i>Student and NGO Subsidies to attend 2006</i>	\$50,000
<b>Justice for Children and Youth</b> <i>Street Youth Legal Services</i>	\$77,000



## Grants Authorized During 2006

<b>Lake Ontario Waterkeeper</b>	
<i>Clean Water Workshop</i>	\$30,000
<b>Law Commission of Ontario</b>	
Program Activities 2007/2008	\$485,000
<b>Law Foundation of Ontario Community Leadership in Justice Fellowships, The</b>	
Aboriginal Legal Services of Toronto	\$50,000
Ryerson University, Faculty of Arts	\$15,000
Canadian Association of Elizabeth Fry Societies	\$50,000
University of Ottawa, Faculty of Law, Common Law Section	\$15,000
	<u>\$130,000</u>
<b>Law Foundation of Ontario Public Interest Articling Fellowships, The (2007/08 Articling Term)</b>	
Amnesty International Canada	\$69,500
Barbra Schlifer Commemorative Clinic	\$69,500
Canadian Internet Policy and Public Interest Clinic	\$69,500
Lake Ontario Waterkeeper	\$69,500
Public Interest Advocacy Centre	\$69,500
	<u>\$347,500</u>
<b>Law Schools Funding (2007/2008 Comprehensive Grants)</b>	
Osgoode Hall Law School of York University	\$408,575
Queen's University Law School	\$336,285
University of Ottawa Law School	\$336,285
University of Toronto Law School	\$336,285
University of Western Ontario Law School	\$336,285
University of Windsor Law School	\$336,285
	<u>2,090,000</u>
<b>Law Society of Upper Canada</b>	
<i>Licensing Process Enhancements</i>	\$1,000,000
Archives Activities 2007	\$52,000
<i>Translation and Publication of a Volume on the Independence of the Legal Profession</i>	\$38,000
<i>Web Searchable Database Development</i>	\$30,250
<b>LibraryCo</b>	
<i>advoCHAT</i>	\$136,300
Electronic Acquisitions 2007	\$850,000
<b>Metropolitan Action Committee on Violence Against Women and Children (METRAC)</b>	
<i>Increasing Access to Justice for Diverse Women Experiencing Violence, Phase V</i>	\$240,260
<b>National Capital Region YMCA/YWCA</b>	
<i>Community Mediation Project</i>	\$125,900

## Grants Authorized During 2006

<b>Ontario Association for the Deaf</b> <i>Legal Clinic for the Deaf</i>	\$30,000
<b>Ontario Bar Association (OBA)</b> <i>Law Day 2006</i>	\$55,000
<i>Reaching Out to Underserved Communities through Live CLE Programming</i>	\$32,000
<b>Ontario Justice Education Network (OJEN)</b> Program Activities 2006/2007	\$450,000
<i>OJEN Outdoor Classroom in the McMurtry Gardens of Justice</i>	\$195,500
<b>Osgoode Hall Law School of York University</b> <i>Raoul Wallenberg International Human Rights Symposium</i>	\$25,000
<b>Osgoode Society for Canadian Legal History, The</b> <i>Program Activities 2007</i>	\$160,000
<b>Poverty Law Advocacy Network of Canada</b> <i>National Consultation on Poverty Law in Canada</i>	\$25,000
<b>Pro Bono Law Ontario</b> Program Activities 2007	\$342,011
<i>Volunteer Lawyers Service 2007</i>	\$124,822
<i>National Pro Bono Conference 2006</i>	\$46,075
<b>Pro Bono Students Canada</b> Program Activities 2006/2007	\$461,800
<i>Student subsidies to attend PBLO conference</i>	\$5,513
<b>Queen's University, Faculty of Law</b> <i>The Attorney General in the 21st Century Symposium</i>	\$3,412
<b>REACH Canada</b> <i>Disability and the Law – Collaboration for Change</i>	\$92,041
<b>Resource Library for the Environment and the Law, The</b> <i>Evolving Ontario Water Law and Policies:</i> <i>Making Special Collections Publicly Accessible</i>	\$21,855
<b>Reena</b> <i>Handbook on Henson Trusts</i>	\$15,000
<b>Saskatchewan Institute of Public Policy and First Nations University of Canada</b> <i>Moving Towards Justice Conference</i>	\$15,000
<b>Second Chance Scholarship Foundation</b> <i>The Roy and Ria McMurtry Endowment 2006</i>	\$1,990

## Grants Authorized During 2006

<b>Sierra Legal Defence Fund</b> <i>Saving Ontario's Species through Legislation</i>	\$15,000
<b>South Asian Legal Clinic of Ontario</b> <i>Access to Justice: A Case for SALCO</i>	\$16,000
<b>Spetz Publishing Ltd.</b> <i>Publication of Resource Materials for High School Law Teachers</i>	\$5,000
<b>United Talmud Torahs of Montreal, Inc.</b> <i>United Talmud Torah Library Rebuilding Acquisitions</i>	\$10,000
<b>University of Ottawa, Faculty of Law, Common Law Section</b> <i>Public Interest Environmental Law Clinic</i>	\$90,000
<b>University of Toronto, Faculty of Law</b> <i>Law in Action Within Schools (LAWS)</i>	\$136,154
<i>LAWS Summer Job Program</i>	\$10,000
<b>University of Western Ontario Law School</b> <i>Youth Project – Phase II</i>	\$7,290
<b>Woman Abuse Council of Toronto</b> <i>Family Court Watch</i>	\$29,617
<b>Total</b>	<b>\$10,081,805</b>

LFO grant applications undergo a review process and are brought before the Board of Trustees for a decision. The Board meets at regular intervals throughout the year and applications are accepted on an ongoing basis.

For more information about applying for a grant from the Foundation, visit our website or contact:

### The Law Foundation of Ontario

Suite 3002, Box 19  
20 Queen Street West,  
Toronto, Ontario  
M5H 3R3

Email: [general@lawfoundation-on.org](mailto:general@lawfoundation-on.org)  
[www.lawfoundation-on.org](http://www.lawfoundation-on.org)



## Report on Class Proceedings

In 1992, the Class Proceedings Committee (“CPC”) and the Class Proceedings Fund (the “Fund”) were established under the Law Society Amendment Act to provide financial support to class action plaintiffs for disbursements. The Fund was established with a \$500,000 grant from the Law Foundation of Ontario. The CPC receives a levy in the amount of 10% on any awards or settlements in funded proceedings together with a return of any funded disbursements. Plaintiffs awarded support are also indemnified for costs that may be awarded against them in funded proceedings.

The CPC determines whether applicants will receive funding based upon a number of considerations including: the merits of the plaintiff’s case, the extent to which the issue in the proceeding affects the public interest, the plaintiff’s efforts to raise funds, the likelihood of certification and the amount of money in the Fund.

The existence of the CPC and the Fund facilitate the public’s access to justice as potential class action plaintiffs may be discouraged from prosecuting their claims because the personal benefit to them might be quite small even if they are successful and there is potential exposure to significant costs awards against them if they are unsuccessful.

From 1992 until December 31, 2006 the CPC received 61 applications for funding. Of those applications, 12 have been withdrawn or are currently in abeyance, 27 have been approved for funding and 22 have been denied/deferred. Of those applications for funding that were denied/deferred, 4 were denied without prejudice such that they could re-apply, 4 were denied/deferred pending certification and 2 were denied/deferred pending receipt of additional information from the applicant. During the calendar year 2006, the CPC considered and approved 5 new applications for funding.

	For the period from Jan 1 to Dec. 31 2006	For the period from 1993 to the to the year ending Dec. 31, 2006
Opening balance	4,322,358	500,000
Total funding awarded	(154,022)	(1,263,625) <sup>1</sup>
Funding repaid/cancelled	9,855	161,074
Administration costs/expenses	(59,984)	(319,102)
Interest received	180,358	783,469
10 % levies received	906	4,705,656
Costs awards in favour of defendants	(25,545)	(293,545)
Balance as at Dec 31, 2006	\$4,273,926	\$4,273,926

1. Note that to date, the amount paid to applicants from awarded amounts after submission of receipts for duly incurred expenses is \$937,607,62.

N.B.: See Note 20 of the LFO 2006 annual financial statements which indicates that as at December 31, 2006, the Fund remained exposed to potential adverse cost awards against plaintiffs in funded actions. The likelihood of loss is indeterminable. Any loss will be booked in the year it is determinable.

N.B.B: See also Note 21 of the LFO 2006 annual financial statements which discusses subsequent events which have affected the balance in the Fund. i.e. In January 2007, the Fund recovered disbursements in the amount of \$316,808 and a 10 % levy in the amount of \$1,917,500.

The Law Foundation of Ontario, whose mandate is to promote access to justice, is home to the CPC office and administrates the Fund.

For more information on the CPC please contact:

**CPC c/o The Law Foundation of Ontario**  
 20 Queen Street West, Suite 3002,  
 Toronto, ON M5H 3R3  
 Tel. (416) 595-1425

# Report on Class Proceedings

As required by O.Reg.771/92,s.13, we report as follows:

## 1. Number of new applications received in 2006, by stage in the proceeding.

Stage in the Proceeding	Number of New Applications	
	2006	2005
Pre Certification	4	4
Appeal re: Certification	—	—
Discovery	—	—
Determination of Common Issues	—	2
Appeal re: Common Issues	—	—
Post Common Issue Stage	—	—

*Note: This section reports on new applications for funding received but not necessarily decided in 2006.*

## 2. New applications granted and refused, by stage in the proceeding.

Stage in the Proceeding		Granted	Refused	Withdrawn	Pending*/Stayed, etc
Pre Certification	2006	2	—	1	1
	2005	1	1	—	7
Discovery	2006	—	—	—	—
	2005	—	—	—	—
Other	2006	—	—	—	—
	2005	—	—	—	3

\*Carried forward to the next year.

*Note: As per regulation 771/92, this section reports only on the status/outcome in new applications received in 2006 and does not include information on applications received in other years, but disposed of in 2006.*

## 3. In 2006 financial support was awarded to five single action applications under section 59.3(1) of the Act and financial support was awarded for three supplementary funding applications under section 59.3(5) of the Act. In 2005 financial support was awarded to one single action application under section 59.3(1) of the Act and financial support was awarded for three supplementary funding applications under section 59.3(5) of the Act.

*Note: This section reports on awards made in all applications considered by the CPC in 2006.*

## Report on Class Proceedings

As required by O.Reg.771/92,s.13, we report as follows:

### 4. Total awards\*, by disbursement type.

Type of Disbursement	Total Amount Awarded	
	2006	2005
Notice to Class	\$ 4,895.00	\$ 13,126.96
Research & Preparation of Evidence	9,500.00	(305.47)
Copy and Binding	14,309.14	19,603.53
Service of Court Documents	5,596.10	2,610.00
Filing of Court Documents	3,162.00	997.00
Computer Research	—	1,000.00
Facsimile Charges	1,707.10	2,519.40
Examiners' Charges	22,268.59	37,500.00
Experts' Fees	57,832.93	184,500.00
Searches	200.00	219.60
Deliveries	2,502.65	1,618.02
Miscellaneous	3,324.79	797.40
Travel Expense	13,412.78	5,147.49
S.C.C. Security	(500.00)	—
Agency Fees	(500.00)	—
Goods and Services Tax	6,456.91	18,815.29
<b>TOTAL</b>	<b>\$144,167.99</b>	<b>\$288,149.22</b>

Note: \* Amounts shown are net of recovered/cancelled awards previously awarded. In 2006, the CPF had a prior year adjustment of \$9,855.48 reducing amounts awarded from \$154,023.47 to \$144,167.99.

As per regulation 771/92, this section includes only amounts awarded during 2006. Total amounts paid out of CPF during 2006 may vary as amounts awarded are reimbursed to applicants on an ongoing basis after funded disbursement have been duly incurred and paid by the applicant.

5. The total amount of money paid from the Class Proceedings Fund to applicants under section 59.3 of the Act: 2006, \$265,903.02; 2005, \$172,367.37. At December 31, 2006, the balance of all awards outstanding which had not yet been paid to applicants was \$332,622.
6. In 2006, two applicants who received financial support under section 59.3 of the Act before the proceeding was certified as a class proceeding, obtained certification for the proceedings before December 31, 2006.
7. Of the applicants who received financial support under section 59.3 of the Act:
  - i) no applicant received judgement on common issues in their favour at trial during 2006, and
  - ii) two applicants settled their proceedings during 2006.
8. In 2006, one defendant made an application to the Class Proceedings Fund for payment of costs awards made in their favour pursuant to section 59.4 of the Act; one application from a defendant was received in 2005.
9. \$25,544.96 was paid from the Fund to defendants under section 59.4 of the Act in 2006 and \$1,000 was paid in 2005.



## Report on Class Proceedings

As required by O.Reg.771/92,s.13, we report as follows:

### 10. Proceedings for which a plaintiff was awarded financial support in 2006 under section 59.3 of the Act.

Type of Disbursement	A m o u n t			
	2006 "Case A"	2006 "Case B"	2006 "Case C"	2006 "Case D"
Notice to Class	—	—	—	—
Research and Preparation of evidence	10,000.00	—	—	—
Copy and Binding	15,319.70	—	2,299.44	—
Service of Court Documents	—	200.00	976.00	2,025.10
Filing of Court Documents	293.00	—	2,374.00	—
Computer Research	—	—	—	—
Facsimile Charges	866.54	—	912.38	—
Examiners' Charges	13,434.25	—	—	—
Experts' Fees	50,000.00	—	—	816.59
Searches	—	—	—	—
Deliveries	2,638.24	—	464.41	—
Miscellaneous	3,274.79	50.00	—	—
Travel Expense	5,000.00	—	512.78	7,000.00
Goods and Services Tax	7,037.36	—	368.55	—
SCC Security	—	—	—	—
Agency Fees	—	—	—	—
<b>Total</b>	<b>107,863.88</b>	<b>250.00</b>	<b>7,907.56</b>	<b>9,841.69</b>

\* Net of recovered/cancelled awards

\*\* In 2006, the CPF had a prior year adjustment of \$9,855.48 reducing amounts awarded from \$154,023.47 to \$144,167.99

**Case "A"** - A class action on behalf of holders of insurance policies regarding alleged breaches of fiduciary obligations and negligence by insurance company.

**Case "B"** - A class action on behalf of customers of a financial institution regarding alleged unauthorized disclosure of private information.

**Case "C"** - Case (multi-action) of alleged underpayment of deductible amount in settlement of "write-off" auto insurance claims.

**Case "D"** - Cases of alleged excessive interest rate charges on payday loans.

**Case "E"** - Cases of alleged excessive interest rate charges on payday loans.

**Case "F"** - A class action on behalf of pensioners regarding alleged misappropriation of pension funds.

**Case "G"** - A class action on behalf of consumers regarding alleged sale and distribution of defective computers.

**Case "H"** - A class action on behalf of retired employees of hospital association regarding alleged misrepresentation about their retirement benefits.

A w a r d e d *					
2006	2006	2006	2006	2006	2005
"Case E"	"Case F"	"Case G"	"Case H"	(All Cases)	(All Cases)
—	5,000.00	—	—	4,895.00	13,126.96
—	—	—	—	9,500.00	(305.47)
—	—	—	690.00	14,309.14	19,603.53
—	2,500.00	—	45.00	5,596.10	2,610.00
—	337.00	—	358.00	3,162.00	997.00
—	—	—	—	—	1,000.00
—	—	—	—	1,707.10	2,519.40
5,000.00	2,163.00	—	2,600.00	22,268.59	37,500.00
3,000.00	—	4,016.34	—	57,832.93	184,500.00
—	—	—	200.00	200.00	219.60
—	—	—	—	2,502.65	1,618.02
—	—	—	—	3,324.79	797.40
2,000.00	—	—	—	13,412.78	5,147.49
—	—	—	251.00	6,456.91	18,815.29
—	—	—	—	(500.00)	—
—	—	—	—	(500.00)	—
10,000.00	10,000.00	4,016.34	4,144.00	** 144,167.99	288,149.22

The Members of the Committee during 2006 consisted of:

Appointed jointly by the Law Foundation and the Attorney General:

*Valerie A. Edwards*

Chair  
Torquin, Manes, Cohen, Arbus LLP  
Barristers and Solicitors  
Toronto, Ontario

*James L. Vigmond*, Appointed August, 2006  
Oatley, Vigmond  
Barristers and Solicitors  
Barrie, Ontario

*Robert B. Munroe*, Term to June, 2006

Ross & McBride LLP  
Barristers and Solicitors  
Hamilton, ON

Appointed by the Attorney General:

*F. Paul Morrison*,  
McCarthy Tétrault LLP  
Barristers and Solicitors  
Toronto, Ontario

*Brian P. Bellmore*, Term to June, 2006

Bellmore & Moore  
Barristers and Solicitors  
Toronto, ON

Appointed by The Law Foundation of Ontario:

*Wendy J. Earle*, Appointed August, 2006

Borden Ladner Gervais LLP  
Barristers and Solicitors  
Toronto, Ontario

*Mark Leach*,  
Assistant Deputy Attorney General  
Policy Division  
Ministry of the Attorney General  
Toronto, Ontario

# The Law Foundation of Ontario

---

## Financial Statements

December 31, 2006

### *Contents*

<b>Financial Statements:</b>	
Auditor's Report .....	19
Statement of Financial Position ...	20
Statement of Revenue, Expenses and Grants .....	22
Statement of Changes in Fund Balances .....	24
Statements of Cash Flows .....	25
Notes to Financial Statements.....	26

Photo: the Great Library, Osgoode Hall

## Auditor's Report

*To: The Trustees of The Law Foundation of Ontario*

We have audited the statement of financial position of The Law Foundation of Ontario as at December 31, 2006 and the statements of revenue, expenses and grants, changes in fund balances 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 December 31, 2006 and the results of its operations, changes in its fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
March 19, 2007

*Mintz & Partners LLP*

*Mintz & Partners LLP*  
Licensed Public Accountants



*A member of Collins Barrow Canada  
and Moores Rowland International  
association of independent accounting  
firms throughout the world.*

## Statement of Financial Position

### ASSETS

<i>As at December 31</i>	2006	2005
	\$	\$
<b>Current</b>		
Cash	811,832	799,137
Externally restricted cash for Pro Bono Law Ontario Fund (Note 3)	136,659	132,031
Current portion of externally restricted cash and short-term investments for Class Proceedings Fund (Note 4)	332,622	449,906
Short-term investments (Note 6)	31,233,730	23,277,452
Marketable securities, at cost (market value – \$9,470,637; 2005 - \$8,718,523) (Note 6)	9,389,344	8,554,503
Accrued interest receivable	472,903	168,327
	42,377,090	33,381,356
<b>Externally restricted cash and short-term investments for class proceeding fund (Note 4)</b>	4,297,206	4,342,760
<b>Externally restricted cash and short-term investments for Roy &amp; Ria McMurtry Endowment Fund (Note 5)</b>	118,114	115,856
<b>Property and equipment (Note 7)</b>	349,909	61,011
<b>Total Assets</b>	47,142,319	37,900,983

### LIABILITIES

<b>Current</b>		
Accrued liabilities	82,395	42,226
Interest payable to Legal Aid Ontario	8,715	6,271
Due to Legal Aid Ontario (Note 8)	561,931	566,810
Grants authorized (Note 9)	11,445,882	10,598,471
<b>Total Liabilities</b>	12,098,923	11,213,778
<i>See Accompanying Notes</i>		



## Statement of Financial Position

### FUND BALANCES

<i>As at December 31</i>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Internally Restricted Fund Balances</b>		
Reserve Fund <i>(Note 10)</i>	11,685,165	11,153,821
Future Commitment Fund <i>(Note 11)</i>	3,978,732	1,984,511
Public Interest Articling Fellowships Fund <i>(Note 12)</i>	1,214,000	1,561,500
Strategic Initiative Fund <i>(Note 13)</i>	2,995,000	3,150,000
Debt Repayment Fund <i>(Note 14)</i>	925,000	—
	<b>20,797,897</b>	<b>17,849,832</b>
<b>Externally Restricted Fund Balances</b>		
Class Proceedings Fund <i>(Note 15)</i>	4,273,926	4,322,358
Pro Bono Law Ontario Fund <i>(Note 16)</i>	—	1,378
Roy and Ria McMurtry Endowment Fund <i>(Note 17)</i>	118,846	116,120
	<b>4,392,772</b>	<b>4,439,856</b>
<b>Total Restricted Fund Balances</b>	<b>25,190,669</b>	<b>22,289,688</b>
<b>Unrestricted Fund Balance – General Fund</b>	<b>9,852,727</b>	<b>4,397,517</b>
<b>Total Fund Balances</b>	<b>35,043,396</b>	<b>26,687,205</b>
<b>Total Liabilities Plus Fund Balances</b>	<b>47,142,319</b>	<b>37,900,983</b>

*See Accompanying Notes*

*Approved on behalf of the board:*

*Larry Banack — Chair*

*Professor Lorne M. Sossin — Trustee*



## Statement of Revenue, Expenses and Grants

For the year ended December 31, 2005

	Internally Restricted - Reserve Fund \$	Internally Restricted - Public Interest Articling Fellowships Fund \$	Unrestricted - General Fund \$	Externally Restricted - Class Proceedings Fund \$	Externally Restricted - Pro Bono Law Ontario Fund \$	Externally Restricted - Roy and Ria McMurtry Endowment Fund \$	Total \$
<b>Revenue</b>							
Interest on lawyers' mixed trust accounts, net of service charges of \$2,863,675 (Note 18)	—	—	34,834,566	—	—	—	34,834,566
Other interest	474,893	—	598,639	125,662	10,555	1,990	1,211,739
Grant to be returned to Legal Aid Ontario	—	—	—	—	(37,429)	—	(37,429)
Funds generated	—	—	—	—	—	57,065	57,065
Levy on awards (Note 15)	—	—	—	10,154	—	—	10,154
Amortization of bond discount	6,103	—	—	—	—	—	6,103
	480,996	—	35,433,205	135,816	(26,874)	59,055	36,082,198
<b>Expenses</b>							
Salaries	—	—	439,088	26,402	—	—	465,490
Rent and occupancy	—	—	132,256	671	—	—	132,927
Other administrative	—	21,500	178,044	23,790	5,277	—	228,611
Professional fees	—	—	79,742	—	—	—	79,742
Printing and office supplies	—	—	20,808	—	—	—	20,808
Cost awards (Note 15)	—	—	—	1,000	—	—	1,000
Amortization	—	—	24,119	—	—	—	24,119
	—	21,500	874,057	51,863	5,277	—	952,697
Excess of revenue over expenses before the following	480,996	(21,500)	34,559,148	83,953	(32,151)	59,055	35,129,501
Allocation to Legal Aid Ontario (Note 8)	—	—	25,470,381	—	—	—	25,470,381
Grants authorized, net of reversal of grants authorized in prior years (Note 9)	—	417,000	8,317,134	288,149	(74,857)	—	8,947,426
	—	417,000	33,787,515	288,149	(74,857)	—	34,417,807
Excess (deficiency) of revenue over expenses and grants for the year	480,996	(438,500)	771,633	(204,196)	42,706	59,055	711,694

See Accompanying Notes

# Statement of Changes in Fund Balances

For the year ended in December 31

## 2006 Internally Restricted Funds

	Reserve Fund	Debt Repayment Fund	Public Interest Articling Fellowships Fund	Future Commitment Fund	Strategic Initiative Fund	Unrestricted General Fund	Externally Restricted Class Proceedings Fund	Externally Restricted Pro Bono Law Ontario Fund	Externally Restricted Roy and Ria McMurtry Endowment Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances - Beginning of Year	11,153,821	—	1,561,500	1,984,511	3,150,000	4,397,517	4,322,358	1,378	116,120	26,687,205
Excess (deficiency) of revenue over expenses, and grants for the year	531,344	—	(347,500)	—	(155,000)	8,355,911	(48,432)	17,142	2,726	8,356,191
Net Allocations	—	925,000	—	1,994,221	—	(2,900,701)	—	(18,520)	—	—
Fund balances - End of Year	11,685,165	925,000	1,214,000	3,978,732	2,995,000	9,852,727	4,273,926	—	118,846	35,043,396

## 2005 Internally Restricted Funds

	Reserve Fund		Public Interest Articling Fellowships Fund	Future Commitment Fund	Strategic Initiative Fund	Unrestricted General Fund	Externally Restricted Class Proceedings Fund	Externally Restricted Pro Bono Law Ontario Fund	Externally Restricted Roy and Ria McMurtry Endowment Fund	Total
	\$		\$	\$	\$	\$	\$	\$	\$	\$
Fund Balances - Beginning of Year	10,672,825		—	2,513,273	—	8,261,481	4,526,554	1,378	—	25,975,511
Excess (deficiency) of revenue over expenses, and grants for the year	480,996		(438,500)	—	—	771,633	(204,196)	42,706	59,055	711,694
Net Allocations	—		2,000,000	(528,762)	3,150,000	(4,635,597)	—	(42,706)	57,065	—
Fund Balances - End of Year	11,153,821		1,561,500	1,984,511	3,150,000	4,397,517	4,322,358	1,378	116,120	26,687,205

See Accompanying Notes

## Statement of Cash Flows

<i>For the year ended in December 31</i>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Activities</b>		
Excess of revenue over expenses and grants for the year	8,356,191	711,694
Add item not involving cash		
Amortization expenses	33,990	24,119
Amortization of bond discount	5,765	6,104
	<b>8,395,946</b>	<b>741,917</b>
Changes in non-cash balances relating to operations		
Accrued interest receivable	(304,576)	(40,143)
Due from Legal Aid Ontario	(4,879)	706,534
Accrued liabilities	40,170	(11,178)
Interest payable to Legal Aid Ontario	2,442	(22,942)
Grants authorized	847,411	686,067
	<b>8,976,514</b>	<b>2,060,255</b>
<b>Investing activities</b>		
Increase in short-term investments	(7,956,278)	(2,659,762)
(Increase) Decrease in marketable securities	(840,606)	36,704
(Increase) Decrease in externally restricted cash for Pro Bono Law Ontario Fund	(4,628)	811,995
Decrease (Increase) in current portion of externally restricted cash and Short-term investments for Class Proceedings Fund	118,713	(119,282)
Decrease in externally restricted cash and short-term investments for Class Proceedings Fund	44,125	210,909
Increase in externally restricted cash and short-term investment for Roy & Ria McMurty Endowment Fund	(2,257)	(115,857)
Purchase of property and equipment	(322,888)	(22,488)
	<b>(8,963,819)</b>	<b>(1,857,781)</b>
<b>Net Increase (Decrease) in Cash During the Year</b>	<b>12,695</b>	<b>202,474</b>
<b>Cash - Beginning of Year</b>	<b>799,137</b>	<b>596,663</b>
<b>Cash - End of Year</b>	<b>811,832</b>	<b>799,137</b>



# Notes to Financial Statements

*For the Year Ended in December 31, 2006*

## 1. PURPOSE OF THE ORGANIZATION

The Law Foundation of Ontario (the “Foundation”) was established in 1973, under an amendment to the Law Society Act, as a corporation without share capital. The Foundation was created to receive interest accruing on monies held in lawyers’ mixed trust accounts and to establish and maintain a fund to be used for the purposes of legal education and legal research, legal aid and the establishment, maintenance and operation of law libraries. The Foundation is a not-for-profit organization under subsection 149(1)(1) of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation follows generally accepted accounting principles of The Canadian Institute of Chartered Accountants for not-for-profit organizations. The significant accounting policies are summarized below:

### a] Revenue Recognition

The Foundation follows the restricted method of accounting for revenue. Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated. Endowment contributions are recognized as direct increases in endowment net assets.

### b] Fund Balances

The Reserve Fund, Future Commitment Fund, Public Interest Articling Fellowships Fund, the Strategic Initiative Fund and Debt Repayment Fund are internally restricted funds (Notes 10, 11, 12,13 and 14). The Class Proceedings Fund, the Pro Bono Law Ontario Fund and the Roy & Ria McMurtry Endowment Fund are externally restricted funds (Notes 15, 16 and 17).

### c] Interest Earned On Lawyers’ Mixed Trust Accounts.

The interest earned on lawyers’ mixed trust accounts is calculated and remitted to the Foundation based on agreements made with individual financial institutions. The lawyers’ mixed trust accounts are not the property of, nor administered by, the Foundation. The Foundation is, therefore, unable to determine the amount of interest that is accruing until such time as it is advised by each individual financial institution and statutory filings are received from the lawyers. Such interest is, therefore, recorded when determinable by the Foundation.

### d] Grants

Grants for legal education, legal aid, legal research and law libraries are recorded in the period in which they are authorized.

### e] Levy On Awards

The Class Proceedings Fund is entitled to a 10% levy on any award or settlement to the plaintiff in a funded action. The levy on awards is recorded when determinable by the Foundation.

### f] Marketable Securities

Marketable securities are recorded at cost, net of applicable bond premium or discount amortization. Bond premiums and discounts are amortized on a straight-line basis over the period to maturity.

# Notes to Financial Statements

*For the Year Ended in December 31, 2006*

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### g] Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and amortization. Furniture and fixtures are depreciated on a declining balance basis at 20% per annum. Computer hardware and software are depreciated on a straight-line basis over their estimated useful lives of three years. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

### h] 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 balance sheet date and the reported amounts of revenues and expenses during the year, i.e. the company relies on bank statements to record the interest revenue earned on lawyers' mixed trust accounts. Actual results could differ from those estimates.

## 3. EXTERNALLY RESTRICTED CASH FOR PRO BONO LAW ONTARIO FUND

Restricted cash \$136,659 (2005 – \$132,031) is externally restricted for Pro Bono Law Ontario Fund grants. Any unexpended amounts are reversed or cancelled and returned to the original grantor.

## 4. EXTERNALLY RESTRICTED CASH AND SHORT-TERM INVESTMENTS FOR CLASS PROCEEDINGS FUND

Restricted cash and short-term investments consist of cash and bankers acceptances with similar terms as described in note 6 and is externally restricted for Class Proceedings Fund grants. Payments are subject to approval of grant and fulfillment of grant terms. Included in restricted cash is \$332,622 (2005 – \$449,906) which has been authorized as grants to be paid in the 2007 fiscal year.

## 5. EXTERNALLY RESTRICTED CASH AND SHORT-TERM INVESTMENTS FOR ROY & RIA McMURTRY ENDOWMENT FUND

Restricted cash and short-term investments consist of cash and equities with similar terms as described in note 6 and is externally restricted for Roy & Ria McMurtry Endowment Fund. Payments are based on income earned in the prior year. The balance included in restricted cash is \$3,994 (2005 – \$115,856).

## Notes to Financial Statements

*For the Year Ended in December 31, 2006*

### 6. SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

The Foundation's short-term investments comprise cash and bankers acceptances of \$31,347,850 (2005 - \$23,277,452). The effective yields on these investments range from 4.17% to 4.35% and mature within one year.

The Foundation's marketable securities are comprised of bonds of \$9,389,344 (2005 - \$8,554,503), which mature between March 8, 2007 and March 8, 2016 and can be liquidated at any time. The coupon rate ranges from 3.55% to 6.70%.

The Foundation has followed a Statement of Investment Policies, which provides the investment objectives, performance expectations and guidelines for the management of these investments. The Statement of Investment Policies requires that all investments must fall within the Trustee Act of Ontario and requires that certain additional restrictions must be met.

### 7. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net Carrying Amount	
			2006 \$	2005 \$
Furniture and fixtures	151,702	58,829	92,873	30,758
Computer hardware	83,669	65,545	18,124	22,491
Computer software	42,279	38,911	3,368	5,382
Leasehold improvements	259,430	23,886	235,544	2,380
	537,080	187,171	349,909	61,011

## Notes to Financial Statements

For the Year Ended in December 31, 2006

### 8. DUE TO LEGAL AID ONTARIO

Pursuant to Section 55(3) of the Law Society Act (R.S.O. 1990, Chapter L.8), 75% of the net revenue received during the year from interest received on lawyers' mixed trust accounts, less operating expenses, is to be paid to Legal Aid Ontario. The provision for the share of net revenue payable to Legal Aid Ontario is recorded annually in the Foundation's accounts.

	2006 \$	2005 \$
Interest on lawyers' mixed trust accounts (net of service charges)	63,366,037	34,834,566
Expenses	(899,632)	(874,057)
Interest after expenses	62,466,405	33,960,509
Due (to) from Legal Aid Ontario – Beginning of year	(566,810)	139,726
Received from Legal Aid Ontario during the year	—	(129,125)
Cancellation of interest payable carried from 2004	—	(29,213)
75% allocation to Legal Aid Ontario	(46,849,804)	(25,470,382)
Paid to Legal Aid Ontario during the year	46,869,381	24,959,612
Due to Legal Aid Ontario	(547,233)	(529,382)
Cancellation of Unexpended grants in PBLO fund (Note 16)	(14,698)	(37,429)
Due (to) from Legal Aid Ontario – End of year	(561,931)	(566,811)

## Notes to Financial Statements

For the Year Ended in December 31

### 9. GRANTS AUTHORIZED

Grants authorized consist of the following:

	Internal Restricted - Public Interest Articling Fellowships Fund	Internal Restricted Strategic Initiatives Fund	Unrestricted General Fund	Externally Restricted - Class Proceedings Fund	Externally Restricted - Pro Bono Law Ontario Fund	Externally Restricted Roy and Ria McMurtry Endowment Fund	2006 Total
For the year ended December 31	\$	\$	\$	\$	\$	\$	\$
Grants authorized for future payment – Beginning of year	417,000	—	9,687,847	449,906	43,718	—	10,598,471
Grants authorized	347,500	155,000	8,681,862	154,022	—	1,990	9,340,374
Grants payable reversed	—	—	(196,638)	(9,855)	(29,396)	—	(235,889)
Grants paid	(199,960)	—	(7,793,351)	(261,451)	(322)	(1,990)	(8,257,074)
Grants authorized for future payment – End of year	564,540	155,000	10,379,720	332,622	14,000	—	11,445,882

	Internal Restricted - Public Interest Articling Fellowships Fund	Internal Restricted Strategic Initiatives Fund	Unrestricted General Fund	Externally Restricted - Class Proceedings Fund	Externally Restricted - Pro Bono Law Ontario Fund	Externally Restricted Roy and Ria McMurtry Endowment Fund	2005 Total
	\$	\$	\$	\$	\$	\$	\$
Grants authorized for future payment – Beginning of year	—	—	8,725,041	330,623	856,740	—	9,912,404
Grants authorized	417,000	—	8,378,645	291,649	—	—	9,087,294
Grants authorized cancelled ( <i>Note 15</i> )	—	—	—	(3,500)	—	—	(3,500)
Grants payable cancelled	—	—	(61,511)	—	(74,857)	—	(136,368)
Grants payments recovered ( <i>Note 15</i> )	—	—	—	3,500	—	—	3,500
Grants paid	—	—	(7,354,328)	(172,366)	(738,165)	—	(8,264,859)
Grants authorized for future payment – End of year	417,000	—	9,687,847	449,906	43,718	—	10,598,471



# Notes to Financial Statements

*For the Year Ended in December 31, 2006*

## 10. RESERVE FUND

In 1981, the Trustees of the Foundation established a fund to provide for future contingencies and future beneficiaries of its statutory objects that relate to legal education, legal research and law libraries. This fund was created and has been maintained from the 25% of net revenue intended to be made available for those beneficiaries.

## 11. FUTURE COMMITMENT FUND

In 2004, the Trustees of the Foundation established a fund to hold funds which have been allocated from the unrestricted - General Fund to budget for funding plans extending beyond one year. Multi-year funding plans will continue to be formally approved and booked on a year-by-year basis, but the funds will come out of this new fund rather than the unrestricted – General Fund.

## 12. PUBLIC INTEREST ARTICLING FELLOWSHIPS FUND

In 2005, the Trustees of the Foundation established a fund for the Public Interest Articling Fellowships program, for an initial term of four years. The Fellowships have been awarded only to those qualifying organizations that do not have access to other resources with respect to funding articling positions. The sum of \$2,000,000 is allocated from unrestricted fund to fund the initial four years period.

## 13. STRATEGIC INITIATIVE FUND

In 2005, the Trustees of the Foundation established a fund to hold funds which have been allocated from the unrestricted General Fund to budget for new strategic initiative projects.

## 14. DEBT REPAYMENT FUND

In 2006, the Trustees of the Foundation established a fund to assist recent law graduates meet their education debt repayment obligation. Only those who pursue their career in the field of public interest law in Ontario are eligible for this fund. The source of this fund comes from the unrestricted General Fund.

## 15. CLASS PROCEEDINGS FUND

The Class Proceedings Fund (the “Fund”) came into being in 1993 under an amendment to the Law Society Act to provide financial support to plaintiffs in class proceedings in respect of disbursements incurred and payments made to defendants regarding cost awards made against the funded plaintiffs. In the event a funded action settles or wins an award, disbursement award grants already paid are recoverable, and outstanding disbursement grant awards payable are cancelled. As well, the Fund is entitled to a 10% levy on any award or settlement to the plaintiff in a funded action.

In 2006, the Fund recovered a previous year’s disbursement award grant payment of \$4,453 (2005 - \$3,500). The Fund paid cost awards of \$25,545 (2005 - \$1,000) as a result of cost awards made against funded plaintiffs. The Fund received a levy on awards of \$906 (2005 - \$10,154) as a result of settlements to funded plaintiffs.

## 16. THE PRO BONO LAW ONTARIO FUND

The Pro Bono Law Ontario Fund stopped operation in the year. The Law Foundation of Ontario and Legal Aid Ontario each deal with Pro Bono Law Ontario directly with respect to funding. 2006’s funding of \$466,833 (2005 - \$346,370) from The Law Foundation of Ontario has been included in the grants authorized under general fund

In 2006, the Trustees of the Foundation cancelled the 2004 unexpended Pro Bono Law Ontario grants of \$29,396 (2005 - \$74,857). 50% of the unexpended amount is payable to Legal Aid Ontario and has been included in the current liabilities.

## Notes to Financial Statements

*For the Year Ended in December 31, 2006*

### 17. THE ROY & RIA MCMURTRY ENDOWMENT FUND

In 2005, The Law Foundation of Ontario created the Roy & Ria McMurtry Endowment Fund in honour Chief Justice and Mrs. McMurtry, upon his receipt of the 2005 Law Foundation of Ontario Guthrie Award. From the interest earned on the Fund, awards will be made in support and the community work, within the Law Foundation's objects, of an organization chosen by Chief Justice and Mrs. McMurtry.

### 18. INTEREST ON LAWYERS' MIXED TRUST ACCOUNTS

The Law Foundation of Ontario negotiates with each financial institution for interest rates of return and service charges in order to achieve a net competitive rate of return.

### 19. LEASE COMMITMENTS

The Foundation has obligations under a non-cancellable operating lease. The future minimum annual lease payments for premises in each of the next nine years are approximately as follows:

	\$
2007	89,000
2008	89,000
2009	89,000
2010	89,000
2011	91,500
Subsequent	451,000

### 20. CONTINGENCIES

Once funding has been granted by the Class Proceedings Committee to a plaintiff in a class action, the Class Proceedings Fund (the "Fund") becomes potentially liable for adverse cost awards against the plaintiff in the action. As at December 31, 2006 the Fund remained exposed to potential adverse cost awards in funded actions. In all actions, the likelihood of loss is indeterminable. Any loss will be booked in the year it is determinable.

### 21. SUBSEQUENT EVENT

In January 2007, the Class Proceedings Fund recovered a previous year's disbursement award grant payment of \$316,808. Also, the Fund received a levy on awards of \$1,917,500 as a result of settlements to funded plaintiffs.

### 22. FINANCIAL INSTRUMENTS

**Fair value:** The Foundation's carrying value of cash, short-term investments, due from/to Legal Aid Ontario, accrued interest receivable, interest payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

**Interest rate risk:** The Foundation is exposed to interest rate risk with respect to its short-term investments. Changes in the prime interest rate will have a positive or negative impact on the Foundation's interest income. Such exposure will increase accordingly should the Foundation maintain higher levels of short-term investments in the future.

### 23. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.