

Financial Statements of

THE LAW SOCIETY OF MANITOBA

March 31, 2010

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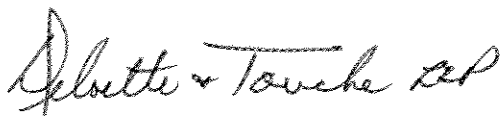
AUDITORS' REPORT

To the Members of
The Law Society of Manitoba

We have audited the balance sheet of The Law Society of Manitoba as at March 31, 2010 and the statements of General Fund, Reimbursement Fund, Professional Liability Claims Fund, Education and Competence Program Fund, and Endowment and Trust Funds operations and equity for the year then ended. These financial statements are the responsibility of the Society'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 Society as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba
May 28, 2010

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THE LAW SOCIETY OF MANITOBA
Balance Sheet
As at March 31, 2010

	General Fund	Reimbursement Fund	Professional Liability Claims Fund	Education and Competence Program Fund	Endowment and Trust Funds	2010 Total	2009 Total
ASSETS							
Cash and term deposits	\$ 2,205,832	\$ -	\$ -	\$ 100	\$ -	\$ 2,205,932	\$ 954,771
Funds held in trust	415,548	-	-	-	-	415,548	408,654
Accounts and accrued interest receivable	394,492	7,975	109,506	5,322	387	517,682	685,193
Prepaid expenses	2,205	61,780	142,614	3,873	-	210,472	152,714
Investments (Note 5)	1,963,603	1,175,168	16,145,480	785,547	5,000	20,074,797	20,397,210
Deferred charge - pension plan (Note 9)	1,432,246	-	-	-	-	1,432,246	1,052,023
Capital assets (Note 6)	253,870	-	-	-	-	253,870	244,435
	\$ 6,667,796	\$ 1,244,923	\$ 16,397,600	\$ 794,842	\$ 5,387	\$ 25,110,547	\$ 23,895,000
LIABILITIES AND FUND EQUITIES							
Accounts payable and accrued liabilities	\$ 51,704	\$ 65,477	\$ 602,985	\$ 11,736	\$ -	\$ 731,902	\$ 165,898
Funds held in trust	415,548	-	-	-	-	415,548	408,654
Fees and assessments paid in advance	797,913	57,852	189,875	57,850	-	1,103,490	641,025
Due to (from) other funds	3,204,197	(918,083)	(1,619,196)	(664,232)	(2,685)	-	-
Reserve for outstanding professional liability claims and associated costs (Note 7)	-	-	6,882,000	-	-	6,882,000	6,882,000
Fund equity							
General Fund	2,198,434	-	-	-	-	2,198,434	1,968,856
Reimbursement Fund (Note 8)	-	2,039,677	-	-	-	2,039,677	2,057,028
Professional Liability Claims Fund (Note 7)	-	-	10,341,936	-	-	10,341,936	10,346,858
Education and Competence Program Fund	-	-	-	1,389,488	-	1,389,488	1,416,532
Endowment and Trust Funds	-	-	-	-	-	-	-
Bilinkoff Loan Fund	-	-	-	-	2,188	2,188	2,188
Crawford Scholarship and Prize Fund	-	-	-	-	5,884	5,884	5,961
	\$ 6,667,796	\$ 1,244,923	\$ 16,397,600	\$ 794,842	\$ 5,387	\$ 25,110,547	\$ 23,895,000

ON BEHALF OF THE BENCHERS

THE LAW SOCIETY OF MANITOBA
Statement of General Fund Operations and Equity
For the Year Ended March 31, 2010

	2010	2009
REVENUE		
Annual fee		
Practising	\$ 2,321,729	\$ 2,204,150
Non-practising	26,075	28,680
Miscellaneous	95,696	69,503
Administration fees	19,950	21,450
Net investment income	121,430	89,075
Costs recovered - discipline	106,864	80,626
	2,691,744	2,493,484
EXPENSES		
Amortization	23,386	24,364
Benchers' meeting expenses	58,113	52,725
Building maintenance	54,178	45,763
Discipline Committee expenses	203,932	139,585
Grant to Community Legal Education Assoc.	60,000	60,000
Library grant	550,000	540,000
Other grants and prizes	105,290	35,710
Office equipment and maintenance	54,231	53,277
Other office and sundry expenses	93,115	69,753
Printing, stationery and postage	112,406	94,396
Professional fees	36,038	27,168
Property taxes	35,434	35,223
Salaries and benefits	1,895,650	1,968,773
Travel	59,451	80,985
Utilities	34,351	30,404
Recovery of administrative charges	(750,000)	(750,000)
	2,625,575	2,508,126
EXCESS OF REVENUE OVER EXPENSES		
(EXPENSES OVER REVENUE)	66,169	(14,642)
FUND EQUITY, BEGINNING OF YEAR	1,968,856	2,203,365
CURRENT YEAR CHANGE IN FAIR VALUE OF INVESTMENTS	163,409	(219,867)
FUND EQUITY, END OF YEAR	\$ 2,198,434	\$ 1,968,856

THE LAW SOCIETY OF MANITOBA

Statement of Reimbursement Fund Operations and Equity

For the Year Ended March 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE		
Annual assessments	\$ 185,706	\$ 303,188
Net investment income	66,280	50,449
Grant from Manitoba Law Foundation	313,405	623,741
	<u>565,391</u>	<u>977,378</u>
EXPENSES		
Administrative charges	100,000	100,000
Claims	13,523	35,166
Insurance	248,671	263,975
Legal and investigation	2,286	-
Salaries	302,652	293,941
Travel	13,406	12,462
	<u>680,538</u>	<u>705,544</u>
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	(115,147)	271,834
FUND EQUITY, BEGINNING OF YEAR	2,057,028	1,838,836
CURRENT YEAR CHANGE IN FAIR VALUE OF INVESTMENTS	97,796	(53,642)
FUND EQUITY, END OF YEAR	<u>\$ 2,039,677</u>	<u>\$ 2,057,028</u>

THE LAW SOCIETY OF MANITOBA
Statement of Professional Liability Claims Fund
Operations and Equity
For the Year Ended March 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE		
Insurance premiums paid by members	\$ 634,125	\$ 227,825
Net investment income	1,012,768	647,495
Interest on deductibles	-	1,684
	<u>1,646,893</u>	<u>877,004</u>
EXPENSES		
Administrative charges	325,000	325,000
Claims paid	1,372,987	1,368,362
Counsel fees	262,312	279,103
Lawyers at Risk	61,685	49,267
Office and sundry expenses	295,351	205,843
Premiums	520,847	387,218
Salaries	328,742	310,415
Practice advisor	33,085	33,513
	<u>3,200,009</u>	<u>2,958,721</u>
EXCESS OF EXPENSES OVER REVENUE	(1,553,116)	(2,081,717)
DISTRIBUTION OF CLIA SURPLUS	43,201	568,060
EXCESS OF EXPENSES OVER REVENUE	(1,509,915)	(1,513,657)
FUND EQUITY, BEGINNING OF YEAR	10,346,858	14,924,369
CURRENT YEAR CHANGE IN FAIR VALUE OF INVESTMENTS	1,504,993	(3,063,854)
FUND EQUITY, END OF YEAR	<u>\$ 10,341,936</u>	<u>\$ 10,346,858</u>

THE LAW SOCIETY OF MANITOBA
Statement of Education and Competence Program Fund
Operations and Equity
For the Year Ended March 31, 2010

	2010	2009
REVENUE		
Grant from Manitoba Law Foundation	\$ 313,405	\$ 623,741
Legal education assessment	185,712	183,745
Legal education programs	304,434	144,091
CPLIED fees	114,994	90,740
Call and admission fees	45,506	38,816
Miscellaneous	25,543	43,734
Net investment income	44,282	24,521
Student admission fees	710	420
	1,034,586	1,149,808
EXPENSES		
Administrative charges	325,000	325,000
Call ceremony	8,434	7,252
Curriculum development	31,735	42,891
Furniture and fixtures	3,469	2,852
Honoraria	55,483	61,634
Miscellaneous	24,744	10,187
Office supplies and stationery	13,025	23,443
Photocopying and printing	46,606	41,130
Salaries	490,990	441,467
Seminars	83,657	58,854
Travel and professional development	17,160	19,058
Travel and lodging - students	26,699	12,089
	1,127,002	1,045,857
EXCESS OF (EXPENSES OVER REVENUE)		
REVENUE OVER EXPENSES	(92,416)	103,951
FUND EQUITY, BEGINNING OF YEAR	1,416,532	1,422,789
CURRENT YEAR CHANGE IN FAIR VALUE OF INVESTMENTS	65,372	(110,208)
FUND EQUITY, END OF YEAR	\$ 1,389,488	\$ 1,416,532

THE LAW SOCIETY OF MANITOBA

Statement of Endowment and Trust Funds Operations and Equity

For the Year Ended March 31, 2010

	<u>2010</u>	<u>2009</u>
FRANK BILLINKOFF LOAN FUND		
Interest income	\$ -	\$ -
FUND EQUITY, BEGINNING OF YEAR	2,188	2,188
FUND EQUITY, END OF YEAR	<u>\$ 2,188</u>	<u>\$ 2,188</u>
CRAWFORD SCHOLARSHIP AND PRIZE FUND		
Investment income	\$ 43	\$ 120
Less scholarship paid	120	155
Excess of expense over revenue	(77)	(35)
FUND EQUITY, BEGINNING OF YEAR	5,961	5,996
FUND EQUITY, END OF YEAR	<u>\$ 5,884</u>	<u>\$ 5,961</u>

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

1. PURPOSE OF THE ORGANIZATION

The Law Society of Manitoba (the "Society") is a not-for-profit organization incorporated by a special act of the Manitoba Legislature. Its purpose is to uphold and protect the public interest in the delivery of legal services with competence, integrity and independence.

2. NATURE OF FUND BALANCES

The Law Society of Manitoba follows the restricted fund method of accounting and has established separate special purpose funds for the administration of specific programs.

General Fund

The purpose of the General Fund is to account for the general operations of the Society, including all property and equipment owned by the Society. Subsection 2(2) of *The Legal Profession Act* provides that in pursuing its purpose and carrying out its duties, the Society has all the powers and capacity of a natural person.

Reimbursement Fund

The Reimbursement Fund is continued under subsection 46(1) of *The Legal Profession Act*. The purpose of the Reimbursement Fund is to compensate claimants who have sustained pecuniary losses because of a member's or law corporation's misappropriation or wrongful conversion of the claimant's money or property.

Professional Liability Claims Fund

The Professional Liability Claims Fund is continued under subsection 45(2) of *The Legal Profession Act*. The purpose of the Claims Fund is to pay professional liability claims in accordance with the Act and the Law Society Rules.

Education and Competence Program Fund

The Education and Competence Program Fund was established for the purpose of regulating the admission of persons as students and their service under articles, providing instruction in law and regulating the call of persons to the Bar and the admission of solicitors. Subsection 3(2)(a) of *The Legal Profession Act* states that in pursuing its purpose, the Society must establish standards for the education, professional responsibility and competence of persons practicing or seeking the right to practice law in Manitoba.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

2. NATURE OF FUND BALANCES (continued)

Endowment and Trust Funds

a) *Frank Billinkoff Loan Fund*

The Frank Billinkoff Loan Fund was established in 1957 by the late Frank Billinkoff as a revolving loan fund to be lent to deserving law students, without interest, to permit them to continue their studies in law.

b) *Margaret Hypatia Crawford Scholarship and Prize Fund*

The Crawford Scholarship is a scholarship to the student with the highest standing in the final year at the Faculty of Law, University of Manitoba, and also awards prizes to the students with the second, third and fourth highest standings in the final year.

3. CHANGE IN ACCOUNTING POLICIES

As of April 1, 2009, the Society adopted the changes made to Sections 1540, 4400, 4430 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

The implementation of these new standards was for disclosure only and had no impact on the financial statements at April 1, 2009.

4. SIGNIFICANT ACCOUNTING POLICIES

The Society has elected to use the exemption provided by the CICA permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Society for the year ended March 31, 2010. The Society applies the requirements of Section 3861 of the CICA Handbook.

c) *Revenue recognition*

Externally restricted contributions are deferred and recognized as revenue of the appropriate fund in the year which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the General Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund when earned.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Capital assets

Capital assets are recorded at the lower of cost and market value, with the exception of the library and lockers, which are recorded at a nominal value and are not being amortized. Amortization on other assets is provided on a straight-line basis using the following rates:

Computer equipment	3 years
Furniture and equipment	5 years
Building	20 years

e) Foreign currency translation

All investments maintained in United States currency have been translated into Canadian dollars at the exchange rate in effect at March 31, 2010. Income from investments maintained in United States currency is translated at the month end spot rate for the month in which it is earned.

f) Pension plan

The cost of the Society's defined benefit pension plans are determined periodically by independent actuaries. The actuarial valuation is based on the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Past-service costs arising from plan amendments are amortized on a linear basis over the average remaining service period of employees active at the date of amendments.

Actuarial gains or losses arise from the difference between actual long-term rate of return on plan assets for the year and the expected long-term rate of return on plan assets for that year, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees, being 9.9 years (2009 – 8.3 years).

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Society's designation of such instruments.

Classification

Cash and term deposits	Held for trading
Accounts and accrued interest receivable	Loans and receivables
Investments	Available for sale
Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in the unrestricted fund until realized when the cumulative gain or loss is transferred to investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method. At March 31, 2010 carrying value approximates fair value.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments. At March 31, 2010 carrying value approximates fair value.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Transaction Costs

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Society uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

f) Statement of Cash Flows

A statement of cash flows has not been provided as management is of the opinion that this statement would not provide additional useful information.

g) 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 the deferred charge – pension plan and reserve for outstanding professional liability claims and associated costs at the date of the financial statements and the reported amounts of amortization on capital assets during the reporting period. Actual results could differ from these estimates.

5. INVESTMENTS

Investments consist of certain guaranteed investments, stocks and bonds and are recorded at fair value. Certain of these investments and related earnings have been aggregated in one pool and are allocated amongst the funds. The year-end allocations are as follows:

	<u>2010</u>	<u>2009</u>
General Fund	9.78 %	8.25%
Reimbursement Fund	5.86%	4.93%
Professional Liability Claims Fund	80.45%	83.52%
Education and Competence Program Fund	3.91%	3.30%
	<u>100.00%</u>	<u>100.00%</u>

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

6. CAPITAL ASSETS

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 186,000	\$ -	\$ 186,000	\$ -
Building	917,135	917,135	917,135	917,135
Computer equipment	238,157	229,685	238,157	224,759
Furniture and equipment	167,472	108,075	134,652	89,616
Library and lockers	1	-	1	-
	1,508,765	1,254,895	1,475,945	1,231,510
Cost less accumulated amortization	\$ 253,870		\$ 244,435	

7. PROFESSIONAL LIABILITY CLAIMS FUND CONTINGENT LIABILITY

The Society records claims of the Professional Liability Claims Fund by accruing a reserve for outstanding claims and associated costs at March 31, 2010. Management has set aside the sum of \$6,882,000 (2009 - \$6,882,000) as an offset against incurred liability reserves on reported claims. Investments with a market value of \$16,145,480 (2009 - \$17,030,592) and the entire fund equity of \$10,341,936 (2009 - \$10,346,858) are available to pay claims and expenses.

8. REIMBURSEMENT FUND CONTINGENT LIABILITY

Payment out of the fund is at the discretion of the governing body, the Reimbursement Fund Committee, or Society staff, within guidelines set by the governing body. Any claim payments which may occur will be accounted for in the year payment is approved.

9. PENSION PLAN

The Society has a defined benefit pension plan, which covers substantially all employees. Pension benefits are based on length of service and final average earnings and are partially indexed for inflation after retirement.

The Society measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2006 and these financial statements reflect the extrapolation of information to March 31, 2010.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

9. PENSION PLAN (continued)

Information about the Society's defined benefit plans is as follows:

	<u>2010</u>	<u>2009</u>
Change in fair value of plan assets		
Balance at beginning of year	\$ 5,292,410	\$ 5,753,765
Employer contributions	385,333	370,386
Employee contributions	203,557	195,661
Actual return on plan assets	957,771	(824,694)
Benefits paid	(99,209)	(202,708)
Fair value, end of year	6,739,862	5,292,410
Change in accrued benefit obligation		
Balance at beginning of year	3,450,879	4,921,667
Current service cost	123,000	299,752
Interest cost on benefit obligation	320,254	329,575
Employee contributions	203,557	195,661
Benefits paid	(99,209)	(202,708)
Actuarial loss (gain) on accrued benefit obligation	3,042,991	(2,093,068)
Benefit obligation, end of year	7,041,472	3,450,879
Funded status		
Plan (deficit) surplus	(301,610)	1,841,531
Unamortized net actuarial (gain) loss	1,772,668	(723,148)
Unamortized transition asset	-	(32,464)
	1,471,058	1,085,919
Less reimbursed contributions	(38,812)	(33,896)
Accrued benefit asset, end of year	\$ 1,432,246	\$ 1,052,023

	Percentage of plan assets	
	<u>2010</u>	<u>2009</u>
Canadian equities	31%	29%
Foreign equities	23%	20%
Fixed income	45%	48%
Short term investments	1%	3%
Total	100%	100%

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

9. PENSION PLAN (continued)

	<u>2010</u>	<u>2009</u>
Defined benefit costs		
Current service cost	\$ 123,000	\$ 299,752
Interest cost on benefit obligation	320,254	329,575
Actual return on plan assets	(957,771)	824,694
Actuarial gain on accrued benefit obligation	3,042,991	(2,093,068)
Costs arising in the period	<u>2,582,474</u>	<u>(639,047)</u>
Adjustments for difference between costs arising in the period and costs recognized in the period		
Return on plan assets	570,537	(1,192,691)
Actuarial (gain) loss	(3,066,353)	2,093,068
Transition asset	(32,464)	(37,744)
Total expense included in administrative expenses	<u>\$ 54,194</u>	<u>\$ 223,586</u>

The significant assumptions used are as follows (weighted average):

	<u>2010</u>	<u>2009</u>
Accrued benefit obligation as of March 31		
Discount rate	6.30%	8.60%
Rate of compensation increase	4.50%	3.70%
Benefit costs for the years ended March 31		
Discount rate	8.60%	6.20%
Expected long-term rate of return on plan assets	7.00%	6.20%
Rate of compensation increase	3.70%	3.70%

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

10. MARKET, INTEREST RATE, CREDIT AND FOREIGN CURRENCY RISK

Market risk

Market risk is the risk of loss that results from fluctuations in equity prices, interest and exchange rates. The Society is exposed to market risk from its investing activities. The level of risk to which the Society is exposed varies depending on market conditions and the composition of the asset-mix.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Society's cash flows, financial position, and income. This risk arises from differences in the timing and amount of cash flows related to the Society's assets and liabilities. The value of the Society's assets is affected by short-term changes in nominal interest rates and equity markets.

In accordance with the asset mix strategy adopted in 2002, the Society has invested approximately 50% of its investment assets in fixed income securities and 50% in equities as at March 31, 2010. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. The effective interest rate earned by the Society on bonds and debentures for the current period ending March 31, 2010 was 5.64% (2009 – 5.17%).

The term to maturity and related market values of investments in short-term deposits, bonds and debentures held by the Society at March 31, 2010 are as follows:

<u>Term to Maturity</u>	<u>2010 Market Value</u>	<u>2009 Market Value</u>
Less than one year	\$ 526,243	\$ 265,866
One to five years	3,540,211	4,328,424
Five to ten years	3,361,378	3,577,702
Greater than ten years	3,710,838	3,768,921
	<u>\$ 11,138,670</u>	<u>\$ 11,940,913</u>

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
For the Year Ended March 31, 2010

10. MARKET, INTEREST RATE, CREDIT AND FOREIGN CURRENCY RISK (continued)

Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Society. At March 31, 2010 the Society's maximum credit risk exposure relates to bonds and debentures and short-term deposits totalling \$11,138,670. The Society's concentration of credit risk as at March 31, 2010 related to bonds and debentures is categorized among the following types of issuers.

<u>Type of Issuer</u>	<u>2010 Market Value</u>	<u>2009 Market Value</u>
Government of Canada and Government of Canada guaranteed	\$ 1,626,111	\$ 2,823,379
Provincial and Provincial guaranteed Corporations	1,144,135	1,308,006
	8,368,424	7,809,528
	\$ 11,138,670	\$ 11,940,913

The Society limits interest rate risk and credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

Foreign currency risk

Foreign currency exposure arises from the Society's holdings of investments denominated in foreign currencies. As at March 31, 2010 the Society's foreign currency exposure was \$4,682,261 (2009 - \$4,053,215). The Society does not use derivative instruments to reduce its exposure to foreign currency risk.