

Financial Statements of

THE LAW SOCIETY OF MANITOBA

March 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of The Law Society of Manitoba

We have audited the accompanying financial statements of The Law Society of Manitoba, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and equity of the General Fund, Reimbursement Fund, Professional Liability Claims Fund, Education and Competence Program Fund, and Endowment and Trust Funds and cash flows for the year then ended and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of The Law Society of Manitoba as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants

June 26, 2014
Winnipeg, Manitoba

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THE LAW SOCIETY OF MANITOBA
Statement of Financial Position
As at March 31, 2014

	General Fund	Reimbursement Fund	Professional Liability Claims Fund	Education and Competence Program Fund	Endowment and Trust Funds	March 31, 2014 Total	March 31, 2013 Total
ASSETS							
Cash and term deposits	\$ 2,329,540	\$ -	\$ -	\$ -	\$ -	\$ 2,329,540	\$ 1,957,723
Funds held in trust	513,700	-	-	-	-	513,700	440,779
Accounts and accrued interest receivable	207,885	1,127	80,825	1,837	-	291,674	259,825
Due from The Manitoba Law Library Inc.	1,221,664	-	-	-	-	1,221,664	1,009,919
Prepaid expenses	15,045	41,963	306,897	2,639	-	366,544	285,476
Investments (Note 4)	836,633	283,994	15,022,857	462,645	5,000	16,611,129	16,877,933
Deferred charge - pension plan (Note 9)	2,566,198	-	-	-	-	2,566,198	2,139,403
Capital assets (Note 5)	199,773	-	-	-	-	199,773	217,233
	\$ 7,890,438	\$ 327,084	\$ 15,410,579	\$ 467,121	\$ 5,000	\$ 24,100,222	\$ 23,188,291
LIABILITIES AND FUND EQUITY							
Accounts payable and accrued liabilities	\$ 604,814	\$ -	\$ -	\$ -	\$ -	\$ 604,814	412,327
Funds held in trust	513,700	-	-	-	-	513,700	440,779
Fees and assessments paid in advance	1,335,700	277,025	574,749	278,553	-	2,466,027	2,144,793
Reserve for outstanding professional liability claims and associated costs (Note 6)	-	-	6,882,000	-	-	6,882,000	6,882,000
Due to (from) other funds	3,351,454	(899,560)	(2,259,570)	(189,516)	(2,808)	-	-
	5,805,668	(622,535)	5,197,179	89,037	(2,808)	10,466,541	9,879,899
Fund equity							
General Fund	2,084,770	-	-	-	-	2,084,770	2,188,834
Reimbursement Fund (Note 7)	-	949,619	-	-	-	949,619	789,134
Professional Liability Claims Fund (Note 6)	-	-	10,213,400	-	-	10,213,400	9,889,597
Education and Competence Program Fund	-	-	-	378,084	-	378,084	433,087
Endowment and Trust Funds	-	-	-	-	-	-	-
Billinkoff Loan Fund	-	-	-	-	2,188	2,188	2,188
Crawford Scholarship and Prize Fund	-	-	-	-	5,620	5,620	5,552
	\$ 7,890,438	\$ 327,084	\$ 15,410,579	\$ 467,121	\$ 5,000	\$ 24,100,222	\$ 23,188,291

ON BEHALF OF THE BENCHERS

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THE LAW SOCIETY OF MANITOBA
Statement of General Fund Operations and Equity
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUE		
Annual fee		
Practicing	\$ 3,062,879	\$ 2,878,007
Non-Practicing	26,500	28,300
Administration fees	83,267	75,410
Costs recovered	58,654	54,445
Investment income	143,658	87,753
Other income	152,066	99,404
	<u>3,527,024</u>	<u>3,223,319</u>
EXPENSES		
Amortization	17,460	17,402
Building operation and maintenance	117,575	93,950
Catering	44,706	26,517
Custodial fees	56,604	68,597
Honoraria	10,900	1,000
Library grant	550,000	400,000
Miscellaneous	7,902	6,975
Office and sundry	93,162	95,784
Other grants and prizes	219,190	180,150
Other services	9,471	19,392
Professional development and training	9,055	7,769
Professional fees	49,522	42,121
Prosecution and investigation	19,321	20,496
Publications	49,385	46,867
Rent	-	37,200
Salaries and benefits	2,870,254	3,054,432
Service fees	5,519	3,936
Technology	25,833	33,994
Telecommunications	15,142	18,388
Travel	135,087	145,075
Recovery of administrative charges	(675,000)	(750,000)
	<u>3,631,088</u>	<u>3,570,045</u>
DEFICIENCY OF REVENUE OVER EXPENSES	(104,064)	(346,726)
FUND EQUITY, BEGINNING OF YEAR	2,188,834	2,535,560
FUND EQUITY, END OF YEAR	\$ 2,084,770	\$ 2,188,834

THE LAW SOCIETY OF MANITOBA
Statement of Reimbursement Fund Operations and Equity
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUE		
Annual assessments	\$ 494,017	\$ 439,148
CLIA Surplus Rebate	160,852	-
Grant from Manitoba Law Foundation	167,692	154,733
Investment Income	39,986	24,948
	862,547	618,829
EXPENSES		
Claims	42,666	62,825
Insurance	145,824	139,314
Miscellaneous	408	-
Professional development and training	3,877	-
Professional fees	1,836	1,585
Prosecution and investigation	15,550	40,812
Rent	37,200	-
Salaries and benefits	419,131	269,706
Technology	2,638	-
Telecommunications	2,277	-
Travel	5,655	10,643
Administrative expenses	25,000	-
	702,062	524,885
EXCESS OF REVENUE OVER EXPENSES	160,485	93,944
FUND EQUITY, BEGINNING OF YEAR	789,134	695,190
FUND EQUITY, END OF YEAR	\$ 949,619	\$ 789,134

THE LAW SOCIETY OF MANITOBA
Statement of Professional Liability Claims Fund
Operations and Equity
For the year ended March 31, 2014

	2014	2013
REVENUE		
Insurance premiums paid by members	\$ 2,284,837	\$ 1,978,174
Investment income	2,019,919	1,568,470
Other Income	1,335	-
	4,306,091	3,546,644
EXPENSES		
Administrative expenses	475,000	450,000
Claims paid (Note 8)	1,218,360	861,931
Counsel fees (Note 8)	460,023	406,640
Insurance	1,160,177	943,554
Library grant	60,000	60,000
Miscellaneous	1,791	144
Office and sundry	1,830	980
Professional fees	171,640	168,792
Publications	4,177	3,712
Salaries and benefits	427,341	328,779
Travel	1,950	4,457
	3,982,289	3,228,989
EXCESS OF REVENUE OVER EXPENSES	323,802	317,655
FUND EQUITY, BEGINNING OF YEAR	9,889,598	9,571,943
FUND EQUITY, END OF YEAR	\$ 10,213,400	\$ 9,889,598

THE LAW SOCIETY OF MANITOBA
Statement of Education and Competence Program Fund
Operations and Equity
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUE		
Legal education assessment	\$ 444,615	\$ 390,309
Student admission fees	5,048	2,369
Call fee	50,602	62,497
Legal education programs	390,536	495,487
CPLED fees	187,475	166,042
Grant from Manitoba Law Foundation	167,692	154,733
Investment income	65,140	40,576
Material sales	35,868	35,067
Other Income	16,308	-
	1,363,284	1,347,080
EXPENSES		
Administrative expenses	\$ 175,000	\$ 300,000
Call ceremony	13,015	12,877
Catering	23,007	33,142
Curriculum development	54,192	54,967
Honoraria	65,091	62,759
Miscellaneous expense	1,242	765
Office and sundry	15,648	13,247
Professional development and training	4,989	606
Professional fees	101,232	130,853
Publications	46,167	54,427
Rent	6,159	1,910
Salaries and benefits	840,856	621,633
Service fees	7,473	10,183
Technology	7,957	5,355
Telecommunications	1,950	2,492
Travel	54,308	49,521
	1,418,286	1,354,737
DEFICIENCY OF REVENUE OVER EXPENSES	(55,002)	(7,657)
FUND EQUITY, BEGINNING OF YEAR	433,086	440,743
FUND EQUITY, END OF YEAR	\$ 378,084	\$ 433,086

THE LAW SOCIETY OF MANITOBA
Statement of Endowment and Trust Funds Operations and Equity
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
FRANK BILLINKOFF LOAN FUND		
FUND EQUITY, BEGINNING OF YEAR	\$ 2,188	\$ 2,188
FUND EQUITY, END OF YEAR	\$ 2,188	\$ 2,188

	<u>2014</u>	<u>2013</u>
MARGARET HYPATIA CRAWFORD SCHOLARSHIP AND PRIZE FUND		
Investment income (loss)	\$ 68	\$ (330)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	68	(330)
FUND EQUITY, BEGINNING OF YEAR	5,552	5,882
FUND EQUITY, END OF YEAR	\$ 5,620	\$ 5,552

THE LAW SOCIETY OF MANITOBA

Statement of Cash Flows

For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses:		
General Fund	\$ (104,064)	\$ (346,726)
Reimbursement Fund	160,485	93,944
Professional Liability Claims Fund	323,802	317,655
General Education and Competence Program Fund	(55,002)	(7,657)
Endowment and Trust Funds	68	(330)
Items not affecting cash:		
Amortization	17,460	17,402
Current year change in fair value of investments	(896,941)	(443,266)
Net change in non-cash working capital	189,059	(38,112)
	<u>(365,133)</u>	<u>\$ (407,090)</u>
INVESTING ACTIVITIES		
Purchases of investments	\$ (1,341,400)	\$ (1,248,636)
Sales of investments	2,505,145	2,000,000
Purchases of capital assets	-	(3,578)
	<u>1,163,745</u>	<u>\$ 747,786</u>
FINANCING ACTIVITIES		
Change in deferred charge - pension plan	(426,795)	115,568
	<u>(426,795)</u>	<u>115,568</u>
INCREASE IN CASH AND TERM DEPOSITS	371,817	456,264
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	1,957,723	1,501,459
CASH AND TERM DEPOSITS, END OF YEAR	<u>\$ 2,329,540</u>	<u>\$ 1,957,723</u>

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

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 the province of Manitoba.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

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. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies

a) *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.

b) *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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency translation

All investments maintained in foreign currencies have been translated into Canadian dollars at the exchange rate in effect at March 31, 2014. Income from investments maintained in foreign currencies is translated at the month end spot rate for the month in which it is earned.

d) Pension plan

The cost of the Society's defined benefit pension plan is 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 straight line 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 13.4 years (2013 – 10 years).

e) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when The Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments except investments are measured at amortized cost. Investments are measured at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

With respect to financial assets measured at cost or amortized cost, The Society recognizes in the statement of operations of the respective fund, an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations of the respective fund in the period the reversal occurs.

f) 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 accrued pension benefit asset 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.

4. 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>2014</u>	<u>2013</u>
General Fund	5.03%	4.27%
Reimbursement Fund	1.71%	1.45%
Professional Liability Claims Fund	90.47%	91.93%
Education and Competence Program Fund	2.79%	2.35%
	100.00%	100.00%

5. CAPITAL ASSETS

	<u>2014</u>			<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 186,000	\$ -	\$ 186,000	\$ 186,000
Building	917,135	(917,135)	-	-
Computer equipment	254,125	(247,739)	6,386	10,527
Furniture and Equipment	183,280	(175,895)	7,385	20,705
Library and lockers	2	-	2	1
	\$ 1,540,542	\$ (1,340,769)	\$ 199,773	\$ 217,233

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

6. 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, 2014. Management has set aside the sum of \$6,882,000 (2013 - \$6,882,000) as an offset against incurred liability reserves on reported claims. Investments with a market value of \$15,022,857 (2013 - \$15,510,817) are available to pay claims and expenses.

7. 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.

8. CLAIMS PAID AND COUNSEL FEES

The claims paid and counsel fees reported in the Statement of Professional Liability Claims Fund are reported net of amounts recovered. The gross amounts are as follows:

	<u>2014</u>	<u>2013</u>
Claims paid		
Total expenses	1,857,142	1,652,363
Recoveries	(638,782)	(790,432)
	<u>1,218,360</u>	<u>861,931</u>
Counsel fees		
Total expenses	472,515	472,470
Recoveries	(12,492)	(65,830)
	<u>460,023</u>	<u>406,640</u>

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, 2012 and these financial statements reflect the extrapolation of information to March 31, 2014. The next required valuation will be as of December 31, 2013.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

9. PENSION PLAN (Continued)

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

	<u>2014</u>	<u>2013</u>
Change in fair value of plan assets:		
Balance at beginning of year	\$ 11,784,457	\$ 9,750,533
Employer contributions	1,248,204	827,168
Employee contributions	229,276	216,548
Actual return on plan assets	2,194,754	1,112,411
Benefits paid	(888,423)	(122,203)
Fair value, end of year	14,568,268	11,784,457
Change in accrued benefit obligation:		
Balance at beginning of year	13,210,408	11,187,554
Current service cost	681,000	636,000
Interest cost on benefit obligation	600,926	610,039
Employee contributions	229,276	216,548
Benefits paid	(888,423)	(122,203)
Actuarial loss on accrued benefit obligation	290,801	682,470
Benefit obligation, end of year	14,123,988	13,210,408
Funded status:		
Plan surplus (deficit)	444,280	(1,425,951)
Unamortized net actuarial loss	2,121,918	3,565,354
Accrued benefit asset, end of year	\$ 2,566,198	\$ 2,139,403

	(Percentage of plan assets)	
	<u>2014</u>	<u>2013</u>
Canadian equities	28%	27%
Foreign equities	37%	26%
Fixed income	30%	39%
Short term investments	5%	8%
Total	100%	100%

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

9. PENSION PLAN (Continued)

	<u>2014</u>	<u>2013</u>
Defined benefit costs:		
Current service cost	\$ 681,000	\$ 636,000
Interest cost on benefit obligation	600,926	610,039
Actual return on plan assets	(2,194,754)	(1,112,411)
Actuarial loss on accrued benefit obligation	290,801	682,470
Costs arising in the period	\$ (622,027)	\$ 816,098
Adjustments for difference between costs arising in the period and costs recognized in the period:		
Return on plan assets	1,566,751	572,814
Actuarial gain	(123,315)	(446,176)
Total expense included in administrative expenses	\$ 821,409	\$ 942,736

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

	<u>2014</u>	<u>2013</u>
Accrued benefit obligation as of March 31		
Discount rate	4.65%	4.40%
Rate of compensation increase	4.50%	4.50%
Benefit costs for the years ended March 31		
Discount rate	4.40%	5.10%
Expected long-term rate of return on plan assets	5.25%	5.25%
Rate of compensation increase	4.50%	4.50%

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.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2014

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

Interest rate risk (continued)

In accordance with the asset mix strategy adopted in 2002, the Society has invested approximately 56% (2013 – 57%) of its investment assets in fixed income securities and 44% (2013 – 43%) in equities as at March 31, 2014. 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, 2014 was 3.54% (2013 – 3.73%).

The term to maturity and related market values of investments in short-term deposits, bonds and debentures held by the Society at March 31, 2014 are as follows:

	2014		2013
	<u>Market</u>		<u>Market</u>
	<u>Value</u>		<u>Value</u>
Less than one year	\$ -	\$	-
One to five years	2,721,684		2,333,334
Five to ten years	2,387,282		3,806,273
Greater than ten years	1,870,715		1,779,072
	\$ 6,979,681	\$	7,918,679

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, 2014 the Society's maximum credit risk exposure is equal to the market value of investments in short-term deposits, bonds and debentures. The Society's concentration of credit risk as at March 31, 2014 related to bonds and debentures is categorized among the following types of issuers.

<u>Type of Issuer</u>	2014		2013
	<u>Market</u>		<u>Market</u>
	<u>Value</u>		<u>Value</u>
Government of Canada and Government of Canada guaranteed	\$ 2,196,160	\$	2,407,814
Provincial and Provincial guaranteed	1,993,974		2,358,338
Municipal and Municipal guaranteed	271,473		277,127
Corporations	2,518,074		2,875,400
	\$ 6,979,681	\$	7,918,679

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

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 that requires the weighted average credit rating of bonds held in the portfolio to be rated A or better.

Foreign currency risk

Foreign currency exposure arises from the Society's holdings of investments denominated in foreign currencies. As at March 31, 2014 the Society's foreign currency exposure was \$4,936,992 (2013 - \$3,816,452). The Society does not use derivative instruments to reduce its exposure to foreign currency risk.

11. COMPARATIVE FIGURES

During the year the Society implemented a new accounting system, which included changes to its chart of account and financial statement groupings. In certain circumstances it was not practicable to reclassify the prior year balances to conform with the current year's presentation.