

Financial Statements of

THE LAW SOCIETY OF MANITOBA

March 31, 2016

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, 2016, and the statements of operations and changes in 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, 2016, 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 30, 2016
Winnipeg, Manitoba

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THE LAW SOCIETY OF MANITOBA
Statement of Financial Position
As at March 31, 2016

	2016						2015 Total
	General Fund	Reimbursement Fund	Professional Liability Claims Fund	Education and Competence Program Fund	Endowment and Trust Funds	Total	
ASSETS							
Cash and term deposits	\$ 2,888,173	\$ -	\$ -	\$ -	\$ -	\$ 2,888,173	\$ 2,863,799
Funds held in trust	551,585	-	-	-	-	551,585	539,474
Accounts and accrued interest receivable	305,282	889	43,532	1,448	-	351,151	303,764
Due from The Manitoba Law Library Inc.	954,479	-	-	-	-	954,479	1,223,261
Prepaid expenses	41,988	48,436	250,363	6,550	-	347,337	443,481
Investments (Note 4)	984,346	334,135	16,361,310	544,328	5,000	18,229,119	17,841,697
Deferred charge - pension plan (Note 9)	3,479,000	-	-	-	-	3,479,000	3,830,979
Capital assets (Note 5)	198,207	-	-	-	-	198,207	190,693
	\$ 9,403,060	\$ 383,460	\$ 16,655,205	\$ 552,326	\$ 5,000	\$ 26,999,051	\$ 27,237,148
LIABILITIES AND FUND EQUITY							
Accounts payable and accrued liabilities	\$ 386,012	\$ 84	\$ 4,133	\$ 137	\$ -	\$ 390,366	\$ 415,928
Funds held in trust	551,585	-	-	-	-	551,585	539,474
Fees and assessments paid in advance	1,838,738	488,750	558,698	338,112	-	3,224,298	2,924,563
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	3,613,578	(1,464,220)	(1,838,966)	(307,474)	(2,918)	-	-
	6,389,913	(975,386)	5,605,865	30,775	(2,918)	11,048,249	10,761,965
Fund equity							
General Fund	3,013,147	-	-	-	-	3,013,147	3,542,007
Reimbursement Fund (Note 7)	-	1,358,846	-	-	-	1,358,846	979,416
Professional Liability Claims Fund (Note 6)	-	-	11,049,340	-	-	11,049,340	11,474,012
Education and Competence Program Fund	-	-	-	521,551	-	521,551	471,875
Endowment and Trust Funds							
Billinkoff Loan Fund	-	-	-	-	2,188	2,188	2,188
Crawford Scholarship and Prize Fund	-	-	-	-	5,730	5,730	5,685
	3,013,147	1,358,846	11,049,340	521,551	7,918	15,950,802	16,475,183
	\$ 9,403,060	\$ 383,460	\$ 16,655,205	\$ 552,326	\$ 5,000	\$ 26,999,051	\$ 27,237,148

ON BEHALF OF THE BENCHERS

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THE LAW SOCIETY OF MANITOBA
Statement of General Fund Operations and Changes in Equity
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Annual fee		
Practicing	\$ 3,411,585	\$ 3,296,595
Non-Practicing	28,100	27,600
Administration fees	85,637	82,611
Costs recovered	39,825	67,119
Investment income	66,240	167,124
Other income	151,126	119,115
	3,782,513	3,760,164
EXPENSES		
Building operation and maintenance	144,210	129,474
Catering	77,650	51,815
Custodial fees	76,824	100,279
Depreciation	6,523	17,444
Honoraria	10,531	13,890
Library grant	650,000	500,000
Miscellaneous	1,376	1,271
Office and sundry	55,959	66,749
Other grants and prizes	222,387	223,272
Other services	16,608	15,220
Professional development and training	16,786	15,614
Professional fees	155,068	146,737
Prosecution and investigation	33,965	41,685
Publications	13,017	39,542
Salaries and benefits	2,482,946	2,809,241
Service fees	3,379	4,316
Technology	34,974	41,115
Telecommunications	13,610	14,981
Travel	118,581	160,063
Recovery of administrative charges	(525,000)	(825,000)
	3,609,394	3,567,708
EXCESS OF REVENUE OVER EXPENSES BEFORE UNDERNOTED	173,119	192,456
WRITEDOWN OF AMOUNT DUE FROM MANITOBA LAW LIBRARY	(350,000)	-
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(176,881)	192,456
FUND EQUITY, BEGINNING OF YEAR	3,542,007	2,420,275
PENSION REMEASUREMENT	(351,979)	929,276
FUND EQUITY, END OF YEAR	\$ 3,013,147	\$ 3,542,007

THE LAW SOCIETY OF MANITOBA
Statement of Reimbursement Fund Operations
and Changes in Equity
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Annual assessments	\$ 1,003,564	\$ 699,277
CLIA Surplus Rebate	71,645	-
Grant from Manitoba Law Foundation	167,692	192,362
Investment Income	7,179	43,570
	<u>1,250,080</u>	<u>935,209</u>
EXPENSES		
Claims	129,330	9,800
Insurance	174,321	171,365
Miscellaneous	2,829	983
Professional development and training	5,267	5,634
Professional fees	1,317	1,383
Other services	2,893	-
Prosecution and investigation	14,181	13,037
Rent	37,200	37,200
Salaries and benefits	465,841	470,637
Technology	1,259	2,264
Telecommunications	2,296	2,292
Travel	8,916	15,817
Administrative expenses	25,000	175,000
	<u>870,650</u>	<u>905,412</u>
EXCESS OF REVENUE OVER EXPENSES	379,430	29,797
FUND EQUITY, BEGINNING OF YEAR	979,416	949,619
FUND EQUITY, END OF YEAR	<u>\$ 1,358,846</u>	<u>\$ 979,416</u>

THE LAW SOCIETY OF MANITOBA
Statement of Professional Liability Claims Fund Operations
and Changes in Equity
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Insurance premiums paid by members	\$ 2,245,828	\$ 2,248,509
CLIA Surplus Rebate	551,993	395,724
Investment income	352,134	2,014,044
	3,149,955	4,658,277
EXPENSES		
Administrative expenses	475,000	475,000
Claims paid (Note 8)	910,494	800,525
Counsel fees (Note 8)	559,972	511,531
Insurance	970,213	998,594
Library grant	24,000	30,000
Miscellaneous	1,853	3,578
Office and sundry	10,066	2,386
Professional fees	137,086	136,790
Publications	2,110	2,039
Salaries and benefits	478,978	435,416
Travel	4,855	1,806
	3,574,627	3,397,665
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(424,672)	1,260,612
FUND EQUITY, BEGINNING OF YEAR	11,474,012	10,213,400
FUND EQUITY, END OF YEAR	\$ 11,049,340	\$ 11,474,012

THE LAW SOCIETY OF MANITOBA
Statement of Education and Competence Program Fund
Operations and Changes in Equity
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Legal education assessment	\$ 602,085	\$ 549,432
Student admission fees	5,567	5,800
Call fee	58,650	51,175
Legal education programs	343,187	424,248
CPLED fees	225,075	223,370
Grant from Manitoba Law Foundation	167,692	192,362
Investment income	11,695	70,979
Material sales	30,031	33,806
Other Income	3,640	6,048
	<u>1,447,622</u>	<u>1,557,220</u>
EXPENSES		
Administrative expenses	\$ 25,000	\$ 175,000
Call ceremony	9,604	8,442
Catering	39,543	30,153
Curriculum development	59,354	54,053
Honoraria	64,840	68,996
Miscellaneous expense	887	1,746
Office and sundry	33,607	22,084
Professional development and training	6,049	5,111
Professional fees	42,115	85,096
Publications	25,558	50,057
Rent	3,426	2,400
Salaries and benefits	998,819	880,887
Service fees	14,008	10,541
Technology	12,080	9,862
Telecommunications	2,307	2,744
Travel	60,749	56,257
	<u>1,397,946</u>	<u>1,463,429</u>
EXCESS OF REVENUE OVER EXPENSES	49,676	93,791
FUND EQUITY, BEGINNING OF YEAR	471,875	378,084
FUND EQUITY, END OF YEAR	\$ 521,551	\$ 471,875

THE LAW SOCIETY OF MANITOBA
Statement of Endowment and Trust Funds Operations
and Changes in Equity
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
FRANK BILLINKOFF LOAN FUND		
FUND EQUITY, BEGINNING OF YEAR	\$ 2,188	\$ 2,188
FUND EQUITY, END OF YEAR	\$ 2,188	\$ 2,188

MARGARET HYPATIA CRAWFORD SCHOLARSHIP AND PRIZE FUND		
Investment income	\$ 45	\$ 65
EXCESS OF REVENUE OVER EXPENSES	45	65
FUND EQUITY, BEGINNING OF YEAR	5,685	5,620
FUND EQUITY, END OF YEAR	\$ 5,730	\$ 5,685

THE LAW SOCIETY OF MANITOBA

Statement of Cash Flows

For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ (176,881)	192,456
Reimbursement Fund	379,430	29,797
Professional Liability Claims Fund	(424,672)	1,260,612
General Education and Competence Program Fund	49,676	93,791
Endowment and Trust Funds	45	65
Items not affecting cash:		
Depreciation	6,523	17,444
Current year net investment income	(387,422)	(2,230,568)
Net change in non-cash working capital	591,712	179,026
	<u>38,411</u>	<u>(457,377)</u>
INVESTING ACTIVITIES		
Sales of investments	-	1,000,000
Purchases of capital assets	(14,037)	(8,364)
	<u>(14,037)</u>	<u>991,636</u>
INCREASE IN CASH AND TERM DEPOSITS	24,374	534,259
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	2,863,799	2,329,540
CASH AND TERM DEPOSITS, END OF YEAR	\$ 2,888,173	\$ 2,863,799

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

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.

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.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

2. NATURE OF FUND BALANCES (continued)

Endowment and Trust Funds (continued)

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 cost less accumulated depreciation, with the exception of the library and lockers, which are recorded at a nominal value and are not being depreciated. Depreciation on other assets is provided on a straight-line basis using the following rates:

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

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, 2016. Income from investments maintained in foreign currencies is translated at the month end spot rate for the month in which it is earned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Society recognizes:

- a) the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance on the balance sheet;
- b) the cost of the plan for the year; and
- c) remeasurements and other items directly in equity.

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.

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 accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of the accrued pension benefit asset and obligation, and the reserve for outstanding professional liability claims and associated costs at the date of the financial statements. Actual results could differ from these estimates.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

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:

	2016		2015	
General Fund	\$ 984,346	5.40%	\$ 963,420	5.40%
Reimbursement Fund	334,135	1.83%	327,032	1.83%
Professional Liability Claims Fund	16,361,310	89.75%	16,013,488	89.75%
Education and Competence Program Fund	544,328	2.99%	532,757	2.99%
Endowment and Trust Funds	5,000	.03%	5,000	.03%
	\$18,229,119	100.00%	\$17,841,697	100.00%

5. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 186,000	\$ -	\$ 186,000	\$ 186,000
Building	917,135	(917,135)	-	-
Computer equipment and software	261,029	(254,893)	6,136	2,247
Furniture and equipment	198,777	(192,708)	6,069	2,444
Library and lockers	2	-	2	2
	\$ 1,562,943	\$ (1,364,736)	\$ 198,207	\$ 190,693

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, 2016. Management has set aside the sum of \$6,882,000 (2015 - \$6,882,000) as an offset against incurred liability reserves on reported claims. Investments with a market value of \$16,361,310 (2015 - \$16,013,488) 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.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

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>2016</u>	<u>2015</u>
Claims paid		
Total expenses	\$ 1,773,594	\$ 964,295
Recoveries	(863,100)	(163,770)
	<hr/> \$ 910,494	<hr/> \$ 800,525
Counsel fees		
Total expenses	\$ 580,841	\$ 550,688
Recoveries	(20,869)	(39,157)
	<hr/> \$ 559,972	<hr/> \$ 511,531

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 plan for funding purposes was as of December 31, 2013 and these financial statements reflect the extrapolation of information to March 31, 2016. The next required valuation will be as of December 31, 2016.

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

	<u>2016</u>	<u>2015</u>
Change in fair value of plan assets:		
Balance at beginning of year	\$ 17,552,323	\$ 14,568,268
Employer contributions	637,561	918,718
Employee contributions	219,090	237,284
Actual return on plan assets	380,153	2,315,522
Benefits paid	(408,622)	(487,469)
	<hr/> \$ 18,380,505	<hr/> \$ 17,552,323

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

9. PENSION PLAN (continued)

	<u>2016</u>	<u>2015</u>
Change in accrued benefit obligation:		
Balance at beginning of year	\$ 13,721,344	\$ 11,666,565
Current service cost	710,040	577,990
Interest cost on benefit obligation	720,371	612,495
Employee contributions	219,090	237,284
Benefits paid	(408,622)	(487,469)
Actuarial loss (gain) on accrued benefit obligation	(60,718)	1,114,479
Benefit obligation, end of year	\$ 14,901,505	\$ 13,721,344
Funded status:		
Market value of plan assets, end of year	\$ 18,380,505	\$ 17,552,323
Defined benefit obligation, end of year	14,901,505	13,721,344
Accrued benefit asset	\$ 3,479,000	\$ 3,830,979

	(Percentage of plan assets)	
	<u>2016</u>	<u>2015</u>
Canadian equities	16%	17%
Foreign equities	44%	45%
Fixed income	34%	31%
Short term investments	6%	7%
Total	100%	100%

	<u>2016</u>	<u>2015</u>
Defined benefit costs:		
Current service cost	\$ 710,040	\$ 577,990
Finance costs	(201,126)	(152,339)
Costs arising in the period	\$ 508,914	\$ 425,651

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

	<u>2016</u>	<u>2015</u>
At beginning of period		
Discount rate	5.25%	5.25%
Rate of compensation increase	4.50%	4.50%
Benefit costs for the year ended March 31		
Discount rate	5.25%	5.25%
Rate of compensation increase	4.50%	4.50%

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

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 updated in 2013, the Society has invested approximately 60% (2015 – 57%) of its investment assets in fixed income securities and 40% (2015 – 43%) in equities as at March 31, 2016. 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, 2016 was 3.55% (2015 – 3.36%).

The term to maturity and related market values of investments in short-term deposits, bonds and debentures held by the Society at March 31, 2016 are as follows:

	2016		2015
	Market		Market
	Value		Value
Less than one year	\$ -	\$	-
One to five years	1,092,614		1,752,861
Five to ten years	2,192,261		2,526,408
Greater than ten years	2,035,391		2,360,095
	\$ 5,320,266	\$	6,639,364

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, 2016 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, 2016 related to bonds and debentures is categorized among the following types of issuers.

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2016

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

<u>Type of Issuer</u>	<u>2016 Market Value</u>	<u>2015 Market Value</u>
Government of Canada and Government of Canada guaranteed	\$ 1,735,748	\$ 2,180,069
Provincial and Provincial guaranteed	1,677,971	1,706,584
Municipal and Municipal guaranteed Corporations	-	288,081
	1,906,547	2,464,630
	\$ 5,320,266	\$ 6,639,364

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, 2016 the Society's foreign currency exposure was \$5,325,334 (2015 - \$5,378,251). The Society does not use derivative instruments to reduce its exposure to foreign currency risk.