

Financial Statements of

THE LAW SOCIETY OF MANITOBA

March 31, 2017

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, 2017, 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

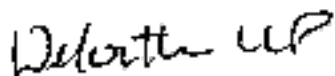
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2017, 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 Professional Accountants

June 22, 2017
Winnipeg, Manitoba

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THE LAW SOCIETY OF MANITOBA
Statement of Financial Position
As at March 31, 2017

	2017					Total	2016 Total
	General Fund	Reimbursement Fund	Professional Liability Claims Fund	Education and Competence Program Fund	Endowment and Trust Funds		
ASSETS							
Cash and term deposits	\$ 3,550,426	\$ -	\$ -	\$ -	\$ -	\$ 3,550,426	\$ 2,888,173
Funds held in trust	545,919	-	-	-	-	545,919	551,585
Accounts and accrued interest receivable	347,251	597	29,861	973	-	378,682	351,151
Due from The Manitoba Law Library Inc.	723,205	-	-	-	-	723,205	954,479
Prepaid expenses	15,250	43,204	166,071	21,786	-	246,311	347,337
Investments (Note 4)	1,048,068	355,766	17,420,465	579,566	5,000	19,408,865	18,229,119
Deferred charge - pension plan (Note 9)	3,684,475	-	-	-	-	3,684,475	3,479,000
Capital assets (Note 5)	194,535	-	-	-	-	194,535	198,207
	\$ 10,109,129	\$ 399,567	\$ 17,616,397	\$ 602,325	\$ 5,000	\$ 28,732,418	\$ 26,999,051
LIABILITIES AND FUND EQUITY							
Accounts payable and accrued liabilities	\$ 477,528	\$ 79	\$ 3,815	\$ 128	\$ -	\$ 481,550	\$ 390,366
Funds held in trust	545,919	-	-	-	-	545,919	551,585
Fees and assessments paid in advance	1,878,350	496,000	630,850	384,878	-	3,390,078	3,224,298
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	3,425,394	(1,880,048)	(1,122,881)	(419,502)	(2,963)	-	-
	6,327,191	(1,383,969)	6,393,784	(34,496)	(2,963)	11,299,547	11,048,249
FUND EQUITY							
General Fund	3,781,938	-	-	-	-	3,781,938	3,013,147
Reimbursement Fund (Note 7)	-	1,783,536	-	-	-	1,783,536	1,358,846
Professional Liability Claims Fund (Note 6)	-	-	11,222,613	-	-	11,222,613	11,049,340
Education and Competence Program Fund	-	-	-	636,821	-	636,821	521,551
Endowment and Trust Funds							
Billinkoff Loan Fund	-	-	-	-	2,188	2,188	2,188
Crawford Scholarship and Prize Fund	-	-	-	-	5,775	5,775	5,730
	3,781,938	1,783,536	11,222,613	636,821	7,963	17,432,871	15,950,802
	\$ 10,109,129	\$ 399,567	\$ 17,616,397	\$ 602,325	\$ 5,000	\$ 28,732,418	\$ 26,999,051

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, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Annual fee		
Practicing	\$ 3,464,529	\$ 3,411,585
Non-Practicing	28,300	28,100
Capital improvement levy	214,700	-
Administration fees	107,307	85,637
Costs recovered	40,750	39,825
Investment income	105,556	66,240
Other income	234,542	151,126
	4,195,684	3,782,513
EXPENSES		
Building operation and maintenance	116,625	144,210
Catering	46,787	77,650
Custodial fees	58,696	76,824
Depreciation	3,672	6,523
Honoraria	24,850	10,531
Library grant	650,000	650,000
Miscellaneous	2,305	1,376
Office and sundry	53,546	55,959
Other grants and prizes	230,149	222,387
Other services	18,418	16,608
Professional development	16,146	16,786
Professional fees	148,887	155,068
Prosecution and investigation	27,559	33,965
Publications	9,547	13,017
Salaries and benefits	2,666,130	2,482,946
Service fees	23,386	3,379
Technology	13,646	34,974
Telecommunications	14,274	13,610
Travel	132,745	118,581
Recovery of administrative charges	(625,000)	(525,000)
	3,632,368	3,609,394
EXCESS OF REVENUE OVER EXPENSES BEFORE UNDERNOTED	563,316	173,119
WRITEDOWN OF AMOUNT DUE FROM MANITOBA LAW LIBRARY	-	(350,000)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	563,316	(176,881)
FUND EQUITY, BEGINNING OF YEAR	3,013,147	3,542,007
PENSION REMEASUREMENT	205,475	(351,979)
FUND EQUITY, END OF YEAR	\$ 3,781,938	\$ 3,013,147

THE LAW SOCIETY OF MANITOBA
Statement of Reimbursement Fund Operations
and Changes in Equity
For the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Annual assessments	\$ 1,018,930	\$ 1,003,564
CLIA surplus rebate	39,975	71,645
Grant from Manitoba Law Foundation	167,692	167,692
Investment income	21,709	7,179
	<u>1,248,306</u>	<u>1,250,080</u>
EXPENSES		
Administrative expenses	125,000	25,000
Claims paid	24,456	129,330
Insurance	160,300	174,321
Miscellaneous	-	182
Professional development	4,688	5,267
Professional fees	1,375	1,317
Office and sundry	2,602	5,540
Prosecution and investigation	18,141	14,181
Rent	50,052	37,200
Salaries and benefits	427,223	465,841
Technology	1,159	1,259
Telecommunications	2,431	2,296
Travel	6,189	8,916
	<u>823,616</u>	<u>870,650</u>
EXCESS OF REVENUE OVER EXPENSES	424,690	379,430
FUND EQUITY, BEGINNING OF YEAR	1,358,846	979,416
FUND EQUITY, END OF YEAR	\$ 1,783,536	\$ 1,358,846

THE LAW SOCIETY OF MANITOBA
Statement of Professional Liability Claims Fund Operations
and Changes in Equity
For the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Insurance premiums paid by members	\$ 2,441,286	\$ 2,245,828
CLIA surplus rebate	-	551,993
Investment income	1,070,207	352,134
	<u>3,511,493</u>	<u>3,149,955</u>
EXPENSES		
Administrative expenses	475,000	475,000
Claims paid (Note 8)	943,354	910,494
Counsel fees (Note 8)	474,976	559,972
Insurance	737,868	970,213
Library grant	24,000	24,000
Miscellaneous	97	220
Office and sundry	4,477	12,125
Professional development	913	245
Professional fees	151,098	137,086
Salaries and benefits	517,650	478,978
Technology	1,569	1,439
Travel	7,218	4,855
	<u>3,338,220</u>	<u>3,574,627</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	173,273	(424,672)
FUND EQUITY, BEGINNING OF YEAR	11,049,340	11,474,012
FUND EQUITY, END OF YEAR	\$ 11,222,613	\$ 11,049,340

THE LAW SOCIETY OF MANITOBA
Statement of Education and Competence Program Fund
Operations and Changes in Equity
For the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Legal education assessment	\$ 611,388	\$ 602,085
Student admission fees	13,050	5,567
Call fee	59,800	58,650
Legal education programs	385,609	343,187
CPLED fees	266,307	225,075
Grant from Manitoba Law Foundation	167,692	167,692
Investment income	35,366	11,695
Material sales	27,016	30,031
Other Income	869	3,640
	1,567,097	1,447,622
EXPENSES		
Administrative expenses	\$ 25,000	\$ 25,000
Call ceremony	11,403	9,604
Catering	40,230	39,543
Curriculum development	51,350	59,354
Honoraria	70,703	64,840
Miscellaneous expense	346	887
Office and sundry	35,563	33,607
Professional development	5,482	6,049
Professional fees	17,614	42,115
Publications	20,465	25,558
Rent	3,645	3,426
Salaries and benefits	1,099,064	998,819
Service fees	250	14,008
Technology	8,085	12,080
Telecommunications	3,202	2,307
Travel	59,425	60,749
	1,451,827	1,397,946
EXCESS OF REVENUE OVER EXPENSES	115,270	49,676
FUND EQUITY, BEGINNING OF YEAR	521,551	471,875
FUND EQUITY, END OF YEAR	\$ 636,821	\$ 521,551

THE LAW SOCIETY OF MANITOBA
Statement of Endowment and Trust Funds Operations
and Changes in Equity
For the year ended March 31, 2017

	<u>2017</u>	<u>2016</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	\$ 45
EXCESS OF REVENUE OVER EXPENSES	45	45
FUND EQUITY, BEGINNING OF YEAR	5,730	5,685
FUND EQUITY, END OF YEAR	\$ 5,775	\$ 5,730

THE LAW SOCIETY OF MANITOBA

Statement of Cash Flows

For the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ 563,316	(176,881)
Reimbursement Fund	424,690	379,430
Professional Liability Claims Fund	173,273	(424,672)
General Education and Competence Program Fund	115,270	49,676
Endowment and Trust Funds	45	45
Items not affecting cash:		
Depreciation	3,672	6,523
Current year net investment income	(1,179,746)	(387,422)
Net change in non-cash working capital	561,733	591,712
	<u>662,253</u>	<u>38,411</u>
INVESTING ACTIVITY		
Purchases of capital assets	-	(14,037)
	-	(14,037)
INCREASE IN CASH AND TERM DEPOSITS		
	662,253	24,374
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	2,888,173	2,863,799
CASH AND TERM DEPOSITS, END OF YEAR	\$ 3,550,426	\$ 2,888,173

THE LAW SOCIETY OF MANITOBA

Notes to the Financial Statements

March 31, 2017

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, 2017

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, 2017. 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, 2017

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:

	2017		2016	
General Fund	\$ 1,048,068	5.40%	\$ 984,346	5.40%
Reimbursement Fund	355,766	1.83%	334,135	1.83%
Professional Liability Claims Fund	17,420,465	89.75%	16,361,310	89.75%
Education and Competence Program Fund	579,566	2.99%	544,328	2.99%
Endowment and Trust Funds	5,000	0.03%	5,000	0.03%
	\$19,408,865	100.00%	\$18,229,119	100.00%

5. CAPITAL ASSETS

	2017			2016
	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	(257,194)	3,835	6,136
Furniture and equipment	198,777	(194,079)	4,698	6,069
Library and lockers	2	-	2	2
	\$ 1,562,943	\$ (1,368,408)	\$ 194,535	\$ 198,207

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, 2017. Management has set aside the sum of \$6,882,000 (2016 - \$6,882,000) as an offset against incurred liability reserves on reported claims. Investments with a market value of \$17,420,465 (2016 - \$16,361,310) 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, 2017

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>2017</u>	<u>2016</u>
Claims paid		
Total expenses	\$ 1,759,340	\$ 1,773,594
Recoveries	(815,986)	(863,100)
	<hr/> \$ 943,354	<hr/> \$ 910,494
Counsel fees		
Total expenses	\$ 530,205	\$ 580,841
Recoveries	(55,229)	(20,869)
	<hr/> \$ 474,976	<hr/> \$ 559,972

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, 2015 and these financial statements reflect the extrapolation of information to March 31, 2017. The next required valuation will be as of December 31, 2018.

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

	<u>2017</u>	<u>2016</u>
Change in fair value of plan assets:		
Balance at beginning of year	\$ 18,380,505	\$ 17,552,323
Employer contributions	862,550	637,561
Employee contributions	256,887	219,090
Actual return on plan assets	1,533,742	380,153
Benefits paid	(294,164)	(408,622)
	<hr/> \$ 20,739,520	<hr/> \$ 18,380,505

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2017

9. PENSION PLAN (continued)

	<u>2017</u>	<u>2016</u>
Change in accrued benefit obligation:		
Balance at beginning of year	\$ 14,901,505	\$ 13,721,344
Current service cost	657,660	710,040
Interest cost on benefit obligation	782,329	720,371
Employee contributions	256,887	219,090
Benefits paid	(294,164)	(408,622)
Actuarial loss (gain) on accrued benefit obligation	750,828	(60,718)
Benefit obligation, end of year	\$ 17,055,045	\$ 14,901,505
Funded status:		
Market value of plan assets, end of year	\$ 20,739,520	\$ 18,380,505
Defined benefit obligation, end of year	17,055,045	14,901,505
Accrued benefit asset	\$ 3,684,475	\$ 3,479,000

	(Percentage of plan assets)	
	<u>2017</u>	<u>2016</u>
Canadian equities	17%	16%
Foreign equities	44%	44%
Fixed income	34%	34%
Short term investments	5%	6%
Total	100%	100%

	<u>2017</u>	<u>2016</u>
Defined benefit costs:		
Current service cost	\$ 657,660	\$ 710,040
Finance costs	(182,647)	(201,126)
Costs arising in the period	\$ 475,013	\$ 508,914

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

	<u>2017</u>	<u>2016</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	5.00%	5.25%
Rate of compensation increase	4.50%	4.50%

THE LAW SOCIETY OF MANITOBA
Notes to the Financial Statements
March 31, 2017

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% (2016 – 60%) of its investment assets in fixed income securities and 40% (2016 – 40%) in equities as at March 31, 2017. 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, 2017 was 3.23% (2016 – 3.55%).

The term to maturity and related market values of investments in short-term deposits, bonds and debentures held by the Society at March 31, 2017 are as follows:

	2017		2016
	Market		Market
	Value		Value
Less than one year	\$ -	\$	-
One to five years	727,844		1,092,614
Five to ten years	1,225,505		2,192,261
Greater than ten years	1,361,202		2,035,391
	\$ 3,314,551	\$	5,320,266

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, 2017 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, 2017 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, 2017

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

<u>Type of Issuer</u>	2017 Market Value	2016 Market Value
Government of Canada and Government of Canada guaranteed	\$ 1,163,718	\$ 1,735,748
Provincial and Provincial guaranteed Corporations	872,735	1,677,971
	1,278,098	1,906,547
	\$ 3,314,551	\$ 5,320,266

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, 2017 the Society's foreign currency exposure was \$6,023,524 (2016 - \$5,325,334). The Society does not use derivative instruments to reduce its exposure to foreign currency risk.