

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

FINANCIAL STATEMENTS

December 31, 2006

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CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To The Members of The Western Canada Society to Access Justice:

We have audited the statement of financial position of the **The Western Canada Society to Access Justice** as at December 31, 2006 and the statements of operations, changes in net assets and cash flows 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.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Society derives revenues from voluntary membership dues and donations from the general public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to testing the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2006 and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Berris Mangan

CHARTERED ACCOUNTANTS

Vancouver, B.C.

March 19, 2007

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THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

STATEMENT OF FINANCIAL POSITION

December 31, 2006

	2006	2005
ASSETS		
CURRENT		
Cash	\$ 40,471	\$ -
Contributions receivable (Note 4)	4,000	22,000
GST recoverable	1,045	1,470
	<u>45,516</u>	<u>23,470</u>
PROPERTY AND EQUIPMENT, net (Note 1e and 5)	9,408	8,660
	<u>\$ 54,924</u>	<u>\$ 32,130</u>
LIABILITIES		
CURRENT		
Cheques issued in excess of funds on hand	\$ -	\$ 384
Accounts payable and accrued liabilities	38,263	18,198
	<u>38,263</u>	<u>18,582</u>
DEFERRED CONTRIBUTION (Note 6)	2,450	-
	<u>40,713</u>	<u>18,582</u>
NET ASSETS (Note 7)		
Net assets invested in property and equipment (Note 5)	6,958	8,660
Net assets, restricted (Note 4)	4,000	22,000
Net assets (liabilities), unrestricted	3,253	(17,112)
	<u>14,211</u>	<u>13,548</u>
COMMITMENT (Note 8)		
	<u>\$ 54,924</u>	<u>\$ 32,130</u>

Approved on behalf of the Board:

_____, Director

_____, Director

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

STATEMENT OF OPERATIONS

Year Ended December 31, 2006

	2006	2005
RECEIPTS		
Donations	\$ 138,674	\$ 120,713
Grants	112,161	101,616
Amortization of deferred contribution (Note 6)	1,050	-
Other	154	849
	<u>252,039</u>	<u>223,178</u>
EXPENDITURES		
Advertising and promotion	8,448	11,980
Amortization	7,750	3,437
Insurance	2,141	1,935
Interest and bank charges	2,128	170
Licenses, dues and subscriptions	-	2,112
Office and miscellaneous	7,712	8,565
Professional fees	6,038	3,650
Rent	12,600	10,785
Repairs and maintenance	519	560
Salaries and benefits	183,082	147,238
Telephone and internet	16,315	13,558
Travel and entertainment	4,643	5,200
Utilities	-	256
	<u>251,376</u>	<u>209,446</u>
EXCESS OF RECEIPTS OVER EXPENDITURES FOR THE YEAR	\$ 663	\$ 13,732

See notes to financial statements

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2006

	2006	2005
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY STATED (Note 7)	\$ 13,548	\$ 6,441
PRIOR PERIOD ADJUSTMENT (NOTE 11)	-	(6,625)
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	13,548	(184)
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	663	13,732
NET ASSETS AT END OF YEAR	\$ 14,211	\$ 13,548

See notes to financial statements

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	2006	2005
OPERATING ACTIVITIES		
Excess of receipts over expenditures for year	\$ 663	\$ 13,732
Add: Item not involving cash		
Amortization	7,750	3,437
Donation of property and equipment	(3,500)	-
Deferred contribution received	3,500	-
Amortization of deferred contribution	(1,050)	-
	7,363	17,169
Changes in non-cash working capital (Note 9)	38,490	(11,205)
	45,853	5,964
INVESTING ACTIVITY		
Purchase of property and equipment	(4,998)	(8,338)
INCREASE (DECREASE) IN CASH	40,855	(2,374)
CASH (CHEQUES ISSUED IN EXCESS OF FUNDS ON HAND) AT BEGINNING OF YEAR	(384)	1,990
CASH (CHEQUES ISSUED IN EXCESS OF FUNDS ON HAND) AT END OF YEAR	\$ 40,471	\$ (384)

See notes to financial statements

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. NATURE OF OPERATIONS

The Western Canada Society to Access Justice ("the Society") is a non-profit society incorporated in 2000 under the British Columbia Society Act. The Society is a registered charity as defined by the Income Tax Act (Canada) and is exempt from income taxes.

The objective of the Society is to relieve poverty in Western Canada by improving access to justice for the poor and in particular:

- a) To research the length of court proceedings and the effect of delays in such proceedings on the poor;
- b) To develop and operate pro-bono programs to provide free lawyer services to the poor;
- c) To educate lawyers, the poor and the public with respect to the need for access to justice for the poor and the means of improving such access; and
- d) To otherwise promote access to justice for the poor.

2. SIGNIFICANT ACCOUNTING POLICIES

- a) Cash and equivalents:

Cash and equivalents consists of funds on deposit at financial institutions and cheques issued in excess of funds on deposit.

- b) Pledges:

Pledges are not recorded as revenue as they are not legally enforceable claims.

- c) Revenue recognition - Deferral method:

The Society follows the deferral method of accounting for contributions. Revenues are recognized as follows:

- i) Restricted contributions - deferred and recognized as income in the year in which the related expenses are incurred.
- ii) Unrestricted contributions - when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- iii) Contributions for assets - deferred and amortized as income on a basis consistent with the amortization policy of the related asset acquired. Where assets with an indefinite life are acquired and no amortization is recognized, the contributions are recognized as a direct increase to net assets.

- d) Contributed services, materials and premises locations:

Volunteer lawyers contribute an undetermined number of hours to assist the Society in carrying out its pro-bono legal services to the poor. Due to the difficulty of determining the number of hours and fair value, contributed services are not recognized in the financial statements.

Donated materials are recorded in the financial statements only to the extent that a receipt in-kind has been issued for materials received and the fair value of the materials contributed can be determined.

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d) Contributed services, materials and premises locations (Continued):

Various host agency's provide premise locations as needed to allow the volunteer lawyers to meet with their clients and provide services to the poor in a cost effective manner. Due to the difficulty in determining the time and fair value of the various premises locations provided during the year, the contributed premises locations are not recognized in the financial statements.

- e) Property and equipment:

Property and equipment are stated at cost. Property and equipment are amortized over their estimated useful lives at the following rates and methods.

Automobile	30% declining balance
Computer equipment	30% declining balance
Computer software	100% declining balance
Office furniture and equipment	20% declining balance

The half year-rule has not been adopted by the Society for calculating the amortization in the year of acquisition .

- 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, contributions receivable, GST recoverable, cheques issued in excess of funds on hand and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of grant revenue that has been agreed upon during the year. As at December 31, 2006, all restrictions related to this grant have been complied with.

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

5. PROPERTY AND EQUIPMENT	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobile	\$ 3,500	\$ 1,050	\$ 2,450	\$ -
Computer equipment	18,786	13,246	5,540	7,122
Computer software	3,994	3,994	-	-
Office equipment	2,593	1,175	1,418	1,538
	<u>\$ 28,873</u>	<u>\$ 19,465</u>	<u>\$ 9,408</u>	<u>\$ 8,660</u>

6. DEFERRED CONTRIBUTION	2006	2005
During the year ended December 31, 2006, the Society received donated property and equipment. The deferred contribution is being amortized on a basis consistent with the related asset acquired.	\$ 3,500	\$ -
Less: Accumulated amortization	1,050	-
	<u>\$ 2,450</u>	<u>\$ -</u>

7. NET ASSETS	2006		2005	
	Invested in Property and Equipment	Unrestricted	Total	Total
OPENING BALANCE PRIOR PERIOD	\$ 8,660	\$ 4,888	\$ 13,548	\$ 6,441
ADJUSTMENT (Note 11)	-	-	-	(6,625)
	8,660	4,888	13,548	(184)
EXCESS OF RECEIPTS OVER EXPENDITURES FOR THE YEAR	(6,700)	7,363	663	13,732
	1,960	12,251	14,211	13,548
INVESTMENT IN PROPERTY AND EQUIPMENT	4,998	(4,998)	-	-
	<u>\$ 6,958</u>	<u>\$ 7,253</u>	<u>\$ 14,211</u>	<u>\$ 13,548</u>

8. COMMITMENT

The Society is committed to future minimum lease payments for premises over the next two years as follows:

2007	\$ 12,600
2008	5,250

THE WESTERN CANADA SOCIETY TO ACCESS JUSTICE

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

9. CHANGES IN NON-CASH WORKING CAPITAL	2006	2005
Contributions receivable	\$ 18,000	\$ (22,000)
GST recoverable	425	(1,470)
Accounts payable and accrued liabilities	20,065	12,265
	<u>\$ 38,490</u>	<u>\$ (11,205)</u>

10. CASH FLOWS - SUPPLEMENTARY INFORMATION

During the year, the Society paid \$417 (2005 - \$170) in interest and bank charges.

11. CORRECTION OF PRIOR PERIOD ERROR

The correction of the prior period error for year 2005 consists of outstanding cheques and deposits from the prior period that were previously not recorded. The related revenues and expenditures are as follows:

Donation revenue	<u>\$ 1,000</u>
Wages and benefits	(4,517)
Office and miscellaneous	(2,006)
Telephone and internet	(702)
Professional fees	(400)
	<u>(7,625)</u>
	<u>\$ (6,625)</u>

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CHARTERED ACCOUNTANTS

Memorandum

TO: Jimmy Yan
FROM: Chris Mullin, C.A.
DATE: June 26, 2007
RE: Debt Owing to Dugald's Estate

Hi Jimmy,

I'm sorry that this has taken so long for me to get to you, however at looking at and preparing the year audit financial statements of The Western Canada Society to Access Justice, it was our understanding the amounts advanced by Dugald were loans to the Society and not donations. If our understanding of the nature of these advances is incorrect, please let us know as currently, the financial statements indicate that an aggregate of \$31,770.39 is owing to Dugald Christie from The Western Canada Society to Access Justice as at December 31, 2006. We have enclosed a copy of the general ledger details to as reference to this figure.

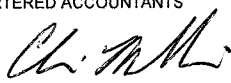
Upon the unfortunate death of Dugald, any assets and liabilities that he owned personally (including the loan to The Western Canada Society to Access Justice) are transferred into his estate and eventually distributed to his beneficiaries based on the requests of his will. Based on my current understanding of the nature of the amounts from Dugald, it is my opinion that these amounts will need to be paid to Dugald's Estate and the funds distributed as he requested.

That being said, we are not aware of any loan agreement between Dugald and The Western Canada Society to Access Justice. When Dugald advanced this money, it is our understanding that this was done with out any specified terms of repayment. Given the size of the loan, I think it would be appropriate to negotiate some terms of repayment over a period of time with the trustee of Dugald's estate that would allow The Western Canada Society to Access Justice to maintain a level of cash flows sufficient for the organization to continue as a non-profit society.

If you would like to discuss this in further detail, please contact me.

Yours very truly,

Berris Mangan
CHARTERED ACCOUNTANTS


Chris Mullin, C.A.

Encl.

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