

November 15, 2016

Dear Grantees

We have communicated directly with all of our ongoing grantees about the state of our revenues which make funding of your organizations possible. This letter provides an update to all of our current and future grantees.

As you have come to understand we do not control our revenues. The amount of interest we receive from balances in lawyers' mixed trust accounts is a simple product of the amount held at a point in time and the rate of interest paid by the financial institution in which the mixed trusts are held.

The level of economic activity in Saskatchewan is a major influence over the amount held in lawyers' mixed trust accounts on which interest is paid to the Foundation. In 2015-2016 we have seen the average balances in mixed trust accounts decline by over \$20 million. We view this as consistent with a softening of economic activity in the province.

Changes in the prime rate of interest at financial institutions have an even more significant impact on the amount of interest earned on mixed trust accounts. In 2015 the prime interest rate declined twice and in total by 30 basis points.

The impact of both factors is a 25 % decline in mixed trust account interest revenues flowing to the Foundation from \$3.125 million in the year ended June 30, 2015 to \$2.370 million in the year ended June 30, 2016.

It is difficult to be precise when forecasting future revenues. However, we believe that economic conditions in Saskatchewan will remain relatively soft and interest rates will not increase in the near term in Canada. We anticipate our revenues from mixed trust accounts will continue to decline in 2016-2017 by a further \$200,000. Based on our revenue forecast for 2016-2017 we are planning to incur a deficit of approximately \$400,000.

We have adequate reserves to cover a deficiency on account of current revenue shortfalls for a reasonable period if current circumstances persist. Over time it will be important to balance our grant spending so that the Foundation can be a good steward of the monies entrusted to it.



We have begun the work with our grantees to review our granting programs and prioritize the amounts we grant. We are committed to making that a collaborative process.

As grantees review their own programs they should expect that certain grants could be held constant or reduced in the upcoming grant cycle. We are encouraging our grantees to be vigilant in making longer term financial commitments because there can be no assurance that our funding will recover to historical levels.

With that said, I repeat, we are committed to a collaborative approach to this issue. We will continually monitor our capacity to make grants in a prudent and fiscally responsible manner and will keep our grantees informed of trends both positive and negative.

Yours truly,

A handwritten signature in black ink that reads "Robt. J. Gibbings". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Robert J. Gibbings, Q.C.
Chair, Law Foundation of Saskatchewan