



LEGAL AID ONTARIO

2016/17

ANNUAL REPORT

Legal Aid Ontario

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Legal Aid Ontario receives financial assistance from the
Government of Ontario.

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LETTER TO THE MINISTER

July 4, 2017

The Honourable Yasir Naqvi
Attorney General of Ontario
720 Bay Street, 11th floor
Toronto, Ontario M5G 2K1

Dear Minister,

Please accept, in accordance with Section 72 of the *Legal Aid Services Act, 1998*, Legal Aid Ontario's (LAO) annual report for the year ended March 31, 2017.

On behalf of the people of Ontario, we thank you, your ministry and the Government of Ontario for your ongoing support of LAO and its mission to provide fair and equal access to justice for low-income Ontarians.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John D. McCamus". The signature is fluid and cursive, with a period at the end.

John D. McCamus
Chair
Legal Aid Ontario



ABOUT LAO

We provide legal services for financially eligible low-income Ontarians.

We provide legal services for financially eligible low-income Ontarians in the following areas :

Family law

Refugee and
immigration
law

Criminal law

Clinic law

LEGAL AID SERVICES

1

In court

Duty counsel are lawyers who can quickly assess a client's legal problems and provide advice, information and, in some cases, representation to someone who would otherwise be unrepresented and unassisted in the courtroom.

2

Over the phone

Toll-free services include information, referrals, legal aid applications and advice from a lawyer.

3

Representation by a private lawyer

Financially eligible clients with legal matters covered by LAO may be able to apply for a certificate, which is like a voucher that covers the cost of a lawyer for a certain number of hours.

4

Community legal clinics

LAO funds clinics, which provide legal help for low-income people and communities to meet their most basic needs, such as a source of income, a roof over their heads, and human rights. Available services vary according to each clinic's resources.



**MESSAGE
FROM THE
CHAIR**

Last October, I had the honour of being reappointed LAO's Chair—a position I've held since 2007.

It meant a great deal to me to be able to continue my journey with LAO. Over the years, I've been lucky to be a part of the LAO team as we've worked together to build bridges and produce partnerships with a wider range of groups and communities.



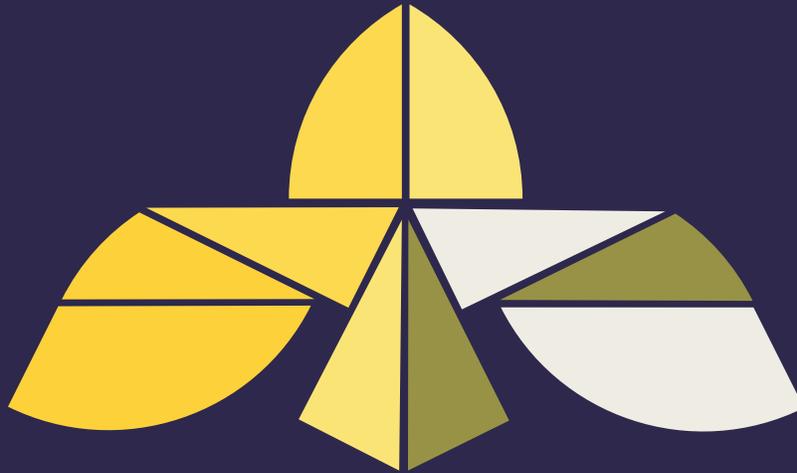
Despite the financial challenges of the last fiscal year, LAO did what it could to continue its role in broadening access to justice to those who need it the most.

A major focus for the year was introducing new services and programs for mental health clients. LAO also started some early work in developing a strategy for racialized communities. This meant reaching out to community partners to figure out where the gaps were and how LAO could play a role in better providing legal services to racialized communities.

There is no denying the important role that LAO plays in the delivery of legal services to low-income Ontarians. Whether it's LAO's staff or its many service providers in the private bar, community legal clinics and student legal aid services societies, we all work together with one ultimate end goal: helping those who need it most to access the justice they are seeking.

On behalf of the Board, I would like to thank them for their continued commitment.

John McCamus
Chair, Legal Aid Ontario



MESSAGE FROM THE CEO

In this last year, LAO continued to prioritize providing access to justice for as many low-income Ontarians as possible. Last year alone we helped about 840,000 people across the province.

LAO is grateful to the government for its financial support around increasing the number of eligible clients, and was proud to have been able to expand services.



In its expansion, it was apparent that there is a great need across all areas of law for low-income Ontarians.

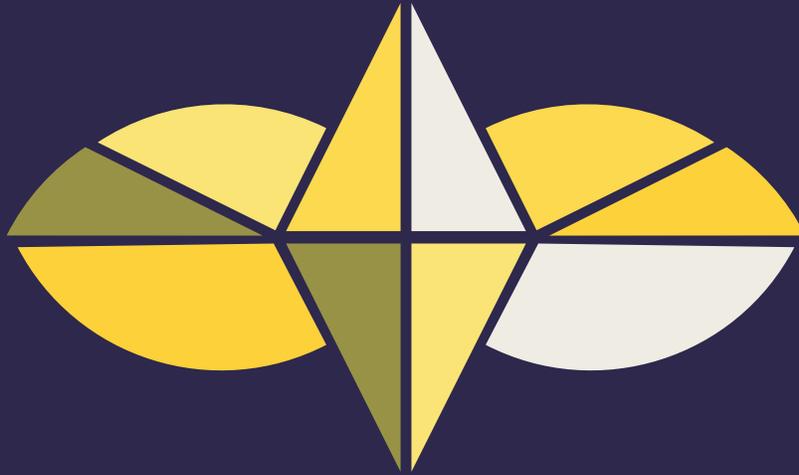
The combination of expanded financial eligibility and new types of legal coverage led to greater demand than we could have anticipated, despite our best projections. And this put considerable pressure on LAO's available budget, which forced LAO to adjust service eligibility.

As a result of LAO's fiscal challenges, the Attorney General asked for a third-party review to be conducted to ensure that LAO's budget plan, its governance, and its ability to forecast are all sound. We welcomed the review, which focused on our processes and service projections, as an opportunity to confirm that our plan would address our deficit. As an organization, we continuously strive to improve and we look forward to the results of that review.

At LAO, our commitment to our clients drives us forward as we make careful decisions that allow us to make progress on necessary changes. In some cases, this has meant temporary suspension of some services while we look for longer-term solutions that will allow us to continue delivering the vital legal services that we provide.

Decisions around prioritizing service delivery are never easy, but I am confident that, working with staff and our valued partners in the clinic system and the private bar, we will find new and enhanced ways to continue delivering high-quality services. It is these service providers that are LAO's greatest asset.

David Field
CEO, Legal Aid Ontario



BOARD OF DIRECTORS

LAO's Board governs and manages the organization's affairs and is composed of people appointed by the Lieutenant Governor in Council.



From left to right

David Field, Christa Freiler, James McNee, Ann Marie Yantz, John McCamus, Nancy Cooper, Michel Robillard, W.A. Derry Millar, James N. Yakimovich.

Not pictured

Carol L. Hartman, Timothy John Murphy, John Liston.

NAME	EFFECTIVE DATE	END DATE
John McCamus, Chair	July 2007	September 2018
Ann Marie Yantz	March 2017	March 2019
Carol L. Hartman	September 2015	September 2020
Christa Freiler	July 2015	July 2020
James McNee	June 2008	September 2018
James N. Yakimovich	June 2008	September 2018
John Liston	March 2008	Currently serving at the pleasure of the Lieutenant Governor
Michel Robillard	July 2015	July 2020
Nancy Cooper	February 2009	February 2020
Timothy John Murphy	March 2009	April 2018 (on temporary leave of absence)
W.A. Derry Millar	April 2011	Currently serving at the pleasure of the Lieutenant Governor
David Field, President/CEO/Ex Officio board member	January 2016	N/A



COMMITTEES

LAO is comprised of advisory committees, area committees, a group applications and test case committee, as well as an exceptions committee.

A

ADVISORY COMMITTEES

90 members from the community

- Keep LAO informed about developments “on the ground”
- Help LAO plan initiatives and programs

8 advisory committees

Aboriginal issues	Clinic law
Mental health law	Criminal law
Prison law	Immigration and refugee law
Family law	French language services

B

AREA COMMITTEES

9 area committees

- Hear appeals related to decisions regarding client eligibility for legal aid certificates
- Approximately 300 people including lawyers and community representatives are on these committees

C

GROUP APPLICATIONS & TEST CASE COMMITTEE

Groups can apply for :

legal aid
test cases involving the Charter of Rights and Freedom
representation at coroners’ inquests

Individuals or groups can apply for :

funding	staff lawyer support
research support	mentoring

Committee makes its decision based on:

- strengths and weaknesses of legal matter
- potential impact on low-income Ontarians

D

EXCEPTIONS COMMITTEE

Comprised of experienced criminal lawyers

- Recommends budget for big criminal cases that are anticipated to cost more than \$75,000



YEAR IN REVIEW

2016



4th

LAO created permanent roles for five paralegals in four criminal courthouses in Hamilton, Ottawa, London and Brampton, based on results from Phase 1 of LAO's paralegal pilot.

1st

Legal aid eligibility threshold increased another six per cent, making **385,310** more people eligible for services.

27th

LAO started a pilot project in 15 locations to have defence counsel conduct a second judicial pre-trial or similarly substantive second case management event.



14th

LAO released a discussion paper called, "Open Government at Legal Aid Ontario: promoting transparency and accountability in Ontario's justice system."

2nd

LAO clarified its expanded legal eligibility criteria to align the costs of the certificate program with funding. This was to ensure the continuation of access to the certificate program for vulnerable clients with complex matters. As a result of this clarification, some people with an expanded legal eligibility matter were referred to duty counsel for service.



1st

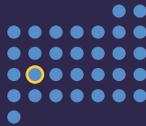
It became mandatory for all legal aid service providers to ask clients if they identify as First Nation, Métis or Inuit and record this information on the Duty Counsel Accounts and Services page.

13th

LAO announced it was developing a strategy to identify the legal needs and protect the legal rights of racialized communities in the justice system.

10th

LAO started to accept refugee and immigration lawyer applications during three set periods of the year. This provided more predictability for applicants and better management of LAO resources.



JULY

9th

LAO provided input to the Ministry of the Attorney General on whether family legal services should be delivered by people who are not lawyers—such as paralegals, law clerks and law students.

7th

LAO hosted the Association of Legal Aid Plans of Canada's annual meeting, focusing on the strategic priorities of Aboriginal legal service and mental health and addictions.

The meeting included presenters from Motherisk and Innocence Canada.

21st

LAO expanded the scope of a pilot program to include a second judicial pre-trial that is conducted before a preliminary inquiry and before a trial date has been set.



AUGUST



SEPTEMBER

18th

LAO started to recruit experienced refugee and immigration lawyers to act as mentors in the second chair program, which puts new or mid-career private bar lawyers working on LAO-funded cases with senior lawyers.

1st

LAO made 27 recommendations for the development of the Strategy for a Safer Ontario, the Ministry of Community Safety and Correctional Services' new blueprint for policing.

8th

LAO, Legal Services Society of BC and Osgoode Hall Law School co-hosted *Wired Justice*, the first technology and access to justice conference focused on legal aid. The web conference featured legal experts who discussed key topics at the intersection of technology and access to justice.

28th

John McCamus was reappointed LAO's Chair for another two years.

19th

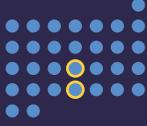
LAO put a call out to community organizations that work primarily with Black students and/or their families to apply for one-time grants of \$200,000 for two organizations to provide services to Black students facing suspension or expulsion hearings.

16th

LAO implemented new additions and revisions to the Gladue panel standards. The new standards, in addition to requiring panel lawyers to review new case law and LAO LAW memoranda that have been released since 2011, also require lawyers to review those sections of the Truth and Reconciliation Commission's final report that specifically address the over-representation of Indigenous persons in the criminal justice system.

8th

LAO released a strategy paper on the bail system. The paper outlined areas of concern within the bail system that contribute to delay. The paper also offered a number of innovative ideas to address those concerns including offering better duty counsel and private bar supports, and working with the specific needs of particularly vulnerable clients such as youth, people with mental health issues, and clients from Aboriginal and racialized communities.



OCTOBER



NOVEMBER



DECEMBER

26th

In a vote conducted by the Ontario Labour Relations Board, a majority of LAO's staff lawyers voted to be represented by the union, the Society of Energy Professionals.

1st

LAO's articling students voted to organize with the Society of Energy Professionals as their exclusive bargaining agent.

16th

LAO announced it was facing financial pressures. As a result, LAO would have to scale back the implementation of new expanded criminal certificate services until they align with available funding. This means that certificates for secondary consequences and first-time accused will not be available. LAO will return to baseline services for criminal law, continuing to offer coverage for criminal cases where the accused faces a substantial likelihood of incarceration.

2017



JANUARY

16th

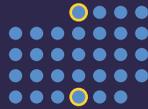
The Ministry of the Attorney General requested an external firm to do a review on LAO focusing on three areas: the assessment of LAO's budget forecasting methodology regarding financial and legal eligibility; LAO's internal governance and decision-making procedures as they relate to budget management; and the evaluation of LAO's plan to balance its budget.



FEBRUARY

28th

LAO announced that on April 1, 2017, the legal aid eligibility threshold would increase another six percent, making 385,310 more people eligible for services.



MARCH

1st

LAO rolled out coverage for second judicial pre-trials across the province after its pilot was successful in increasing the number of early resolutions to criminal cases, while also improving how cases are managed if they need to go to trial.

29th

LAO marked 50 years since the *Legal Aid Act* was signed into law, creating the organization that was then known as the Ontario Legal Aid Plan, which would later become Legal Aid Ontario.



**CLIENT
SERVICES**

TELEPHONE SERVICES



Clients can call LAO's toll-free number to access a wide range of general information, summary legal advice, and applications for legal aid in over 200 languages.

People who have been arrested or detained can also get legal advice (whether or not they qualify for legal aid) by calling the LAO-funded Brydges Duty Counsel service, which is available 24/7.

LAO also supports a toll-free diversion program hotline for young people aged 17 or younger accused of a non-violent crime. This service is available to inform young people, and their parents, about what to expect in the criminal justice system, including their chances of avoiding jail through alternative programs.

Service statistics for 2016/17

Calls are streamed into two tiers :

1

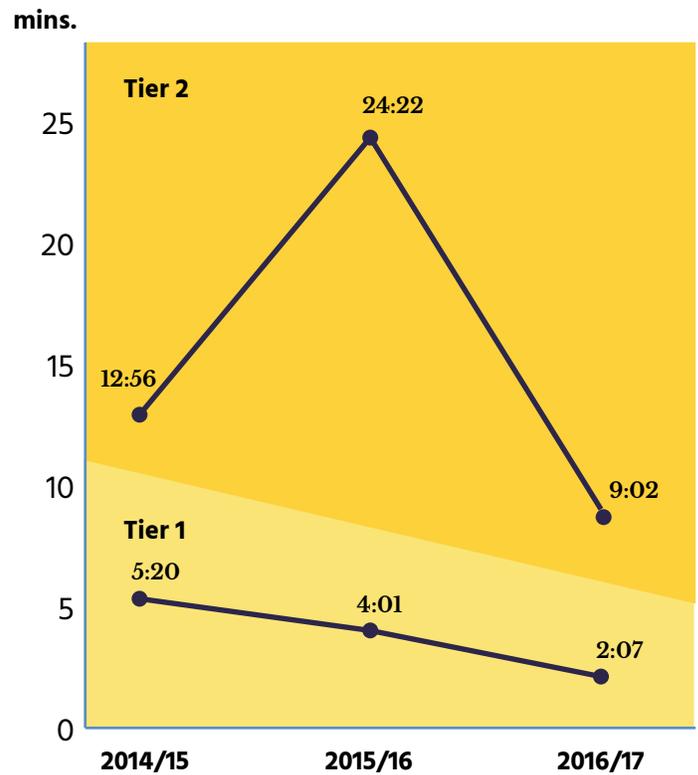
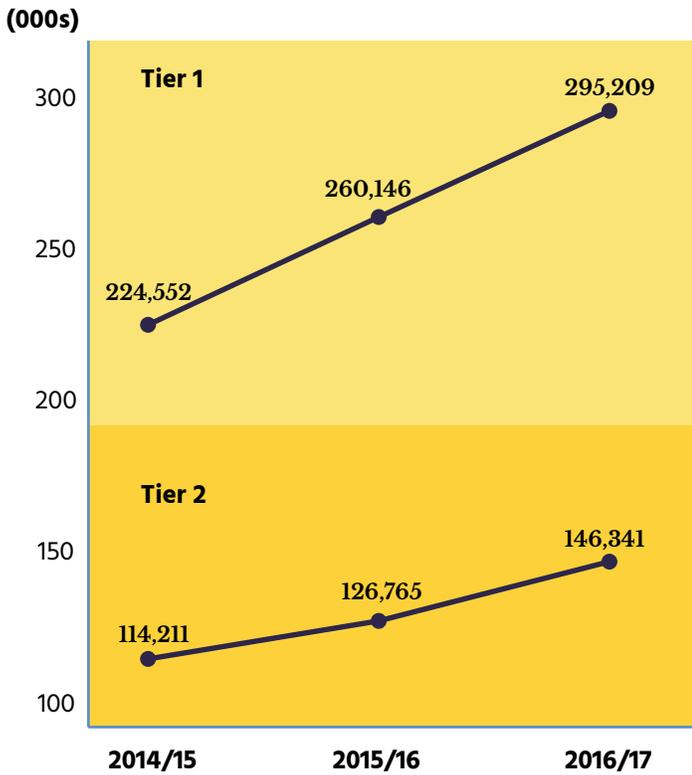
Clients are matched to the appropriate service and referred to other programs.

2

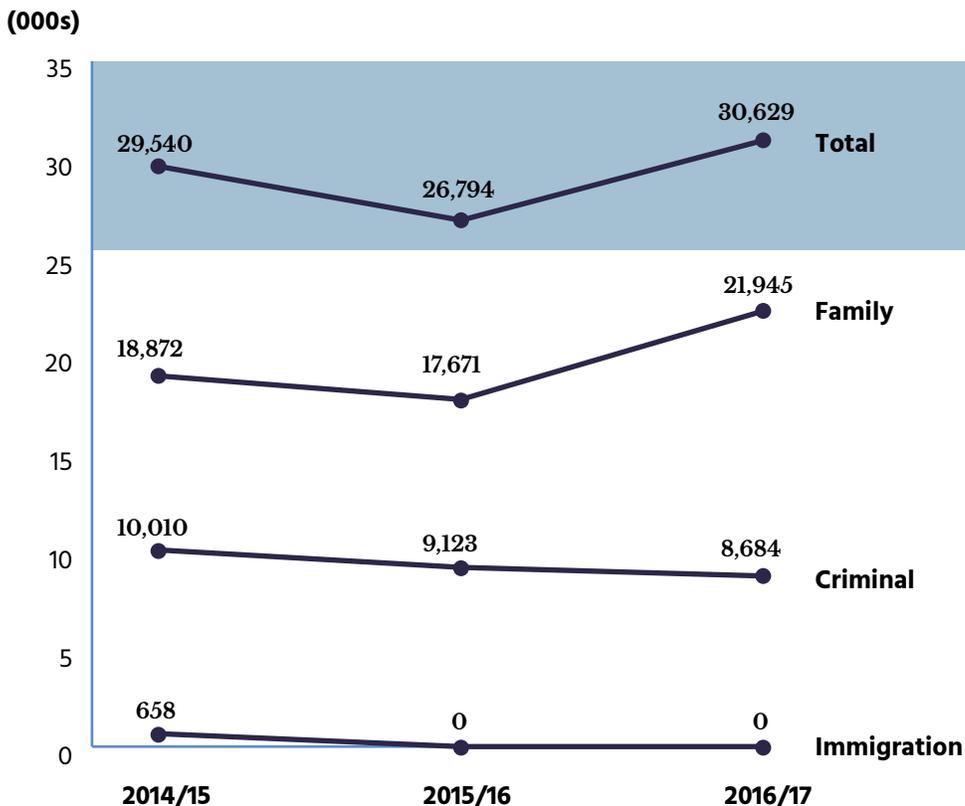
Clients are assessed for financial eligibility, provided with legal information, or referred to staff lawyers for legal advice in family law, criminal law or immigration law. Clients can also apply for a legal aid certificate.

Number of calls answered by Client Services Centre

Average wait time in minutes



Summary legal advice - Number of calls answered by type of legal concern



A client who is financially eligible who calls LAO's toll-free number can talk to a lawyer for up to 20 minutes, and receive advice on criminal, family or immigration issues as well as support to prepare for an in-person duty counsel visit.

COURTHOUSE SERVICES



Legal aid workers do their jobs alongside duty counsel and staff lawyers in courthouses and legal aid offices. They can assist clients with in-person certificate applications, contacting sureties and adjourning matters in first appearance court.

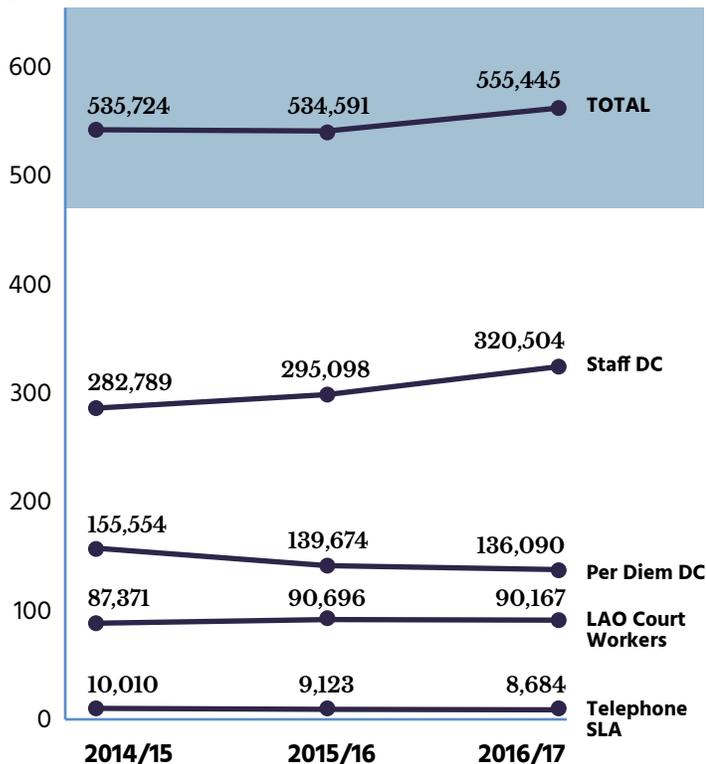
Duty counsel are LAO staff and per diem lawyers in courthouses. They can give immediate legal assistance to low-income people who would otherwise be unrepresented and unassisted.

Paralegals are professionals licensed by the same governing body that regulates lawyers: the Law Society of Upper Canada. Their scope of practice includes summary conviction matters as well as provincial offences matters.

Service statistics for 2016/17

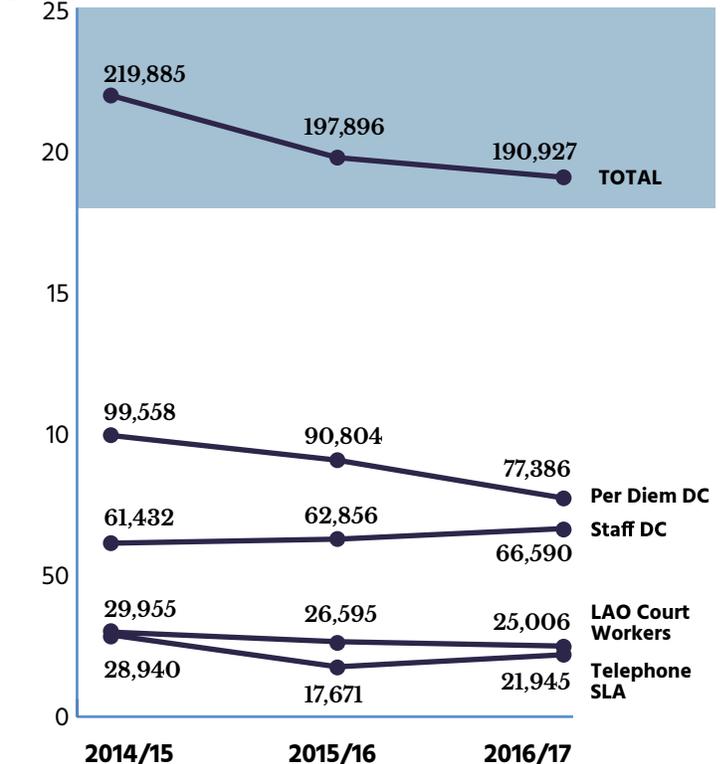
Criminal

(000s)



Civil

(000s)



REPRESENTATION BY A PRIVATE PRACTICE LAWYER



Legal aid applicants who are financially eligible and who are facing a serious legal matter covered by LAO may be issued a certificate to cover the cost of a private bar lawyer.

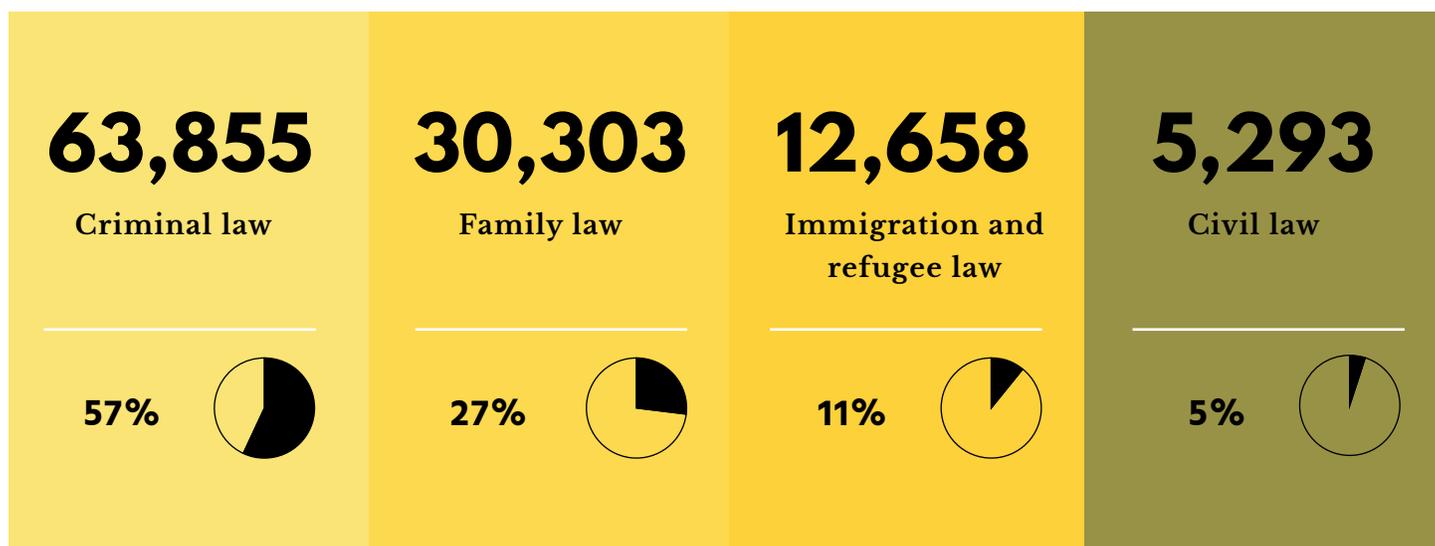
A certificate is a voucher that a low-income person can take to one of more than 3,600 private practice lawyers across the province who accept legal aid clients. A certificate guarantees the lawyer payment for a certain number of hours if they accept the case.

Service statistics for 2016/17

Certificates issued

	2013/14	2014/15	2015/16	2016/17
Certificates issued	83,658	87,279	108,259	112,109

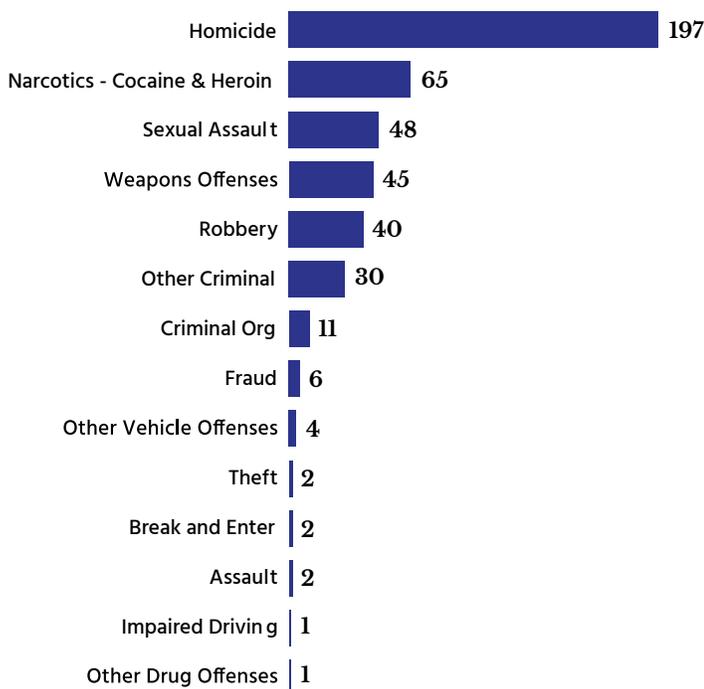
Certificates issued by area of law



Big case management

Under this program, LAO sets budget limits for criminal cases expected to cost more than \$20,000. In these cases, LAO establishes individual budgets rather than using its tariff system to determine the maximum hours available to counsel.

2016/17



Panel management

LAO has a team comprised of directors general, the investigations, complaints, audit and billings, and payment departments, dedicated to panel management issues.

There are various reasons why LAO needs to have oversight of legal aid panel lawyers.

Reasons may include:

- inappropriate relationships with clients
- billing for services not rendered or misrepresenting billings to LAO

- quality of service
- findings by a court that a lawyer was obstructionist, inappropriate or contemptuous
- being the subject of a frequent change of solicitor request
- failing to abide by LAO's policies, procedures, general terms and conditions or the *Legal Aid Services Act*
- Law Society of Upper Canada finding of professional misconduct
- Criminal charges and convictions for fraud

The team reviews information such as:

- the number of type of certificates issued to a lawyer
- the number and reason for any change of solicitor applications
- billings and payments

The team also regularly meets with:

- lawyers newly called to the bar
- lawyers with panel standards conditions

2016/17	Number of lawyers
Removed from panel lists	20
Not removed from panel lists	4
Admission for panel lists refused	3
Total cases completed	27

CLINIC LAW SERVICES



LAO is the primary funder of 76 community legal clinics, which provide services for legal problems such as:

- eviction
- housing disrepair
- violation of tenant rights
- issues with entitlement to income supports
- human rights violations
- criminal injuries compensation
- consumer protection issues
- issues in the workplace as a result of precarious employment, breaches of employment standards legislation, employment insurance, workplace safety and wrongful terminations

Clinic active files

	2013/14	2014/15 ¹	2015/16 ²	2016/17 ³
Speciality clinics	29,969	30,437	33,073	38,206
Southwest	41,103	42,430	41,376	41,746
Northern	18,171	17,711	17,368	18,942
Greater Toronto Area	66,072	63,986	65,196	72,793
Central & East	52,704	51,055	51,762	54,447
TOTAL	208,019	205,619	208,775	226,134
Total cost (\$000s)	\$70,494	\$71,615	\$83,625	\$79,168
Cost per active file	\$339	\$348	\$401	\$350

1. Clinic total cost does not include \$4,215K financial eligibility expansion funding or \$2,141K for expenses paid on behalf of clinics

2. Clinic total cost does not include \$1,837K for specialty clinic build outs

3. Clinic total cost does not include \$1,163K for specialty clinic build outs

Clinics in dispute resolution

The African Canadian Legal Clinic remains engaged in Level 3 of LAO's dispute resolution process as a result of concerns regarding the clinic's financial management and board governance.

COMPLAINTS



Anyone who is unhappy with a service received from LAO, a community legal clinic or a legal aid lawyer has the right to file a formal complaint.

2016/17 Stage I complaints breakdown

Category	2016/17	2015/16	2014/15
Services provided by lawyers ⁴	1,543	177	132
Duty counsel	27	28	23
Legal Aid policy	108	97	71
Legal Aid staff	89	99	92
Corporate changes	1	3	0
Accessibility	2	1	2
TOTAL	1,770	405	320

4. Complaints received through a client's request to change counsel included in 2016/17.



KEY PERFORMANCE INDICATORS

FINANCIAL MEASURES

TYPE OF INDICATOR	MEASURE	TARGET	CURRENT LEVELS
Financial	Balanced budget	No deficit	\$25.5M annual deficit
	Debt position	Elimination of accumulated deficit	Net deficit of \$25.8M at end of year
	Cash flow	\$15M cash balance	\$9.7M in cash at the end of year
Productivity	Cost per assist	Maintain current level at \$242 per assist	\$292 per assist
Administrative efficiency	Admin cost as % of total	11% of total expenditures	10.5%

STAFF HEALTH MEASURES

TYPE OF INDICATOR	MEASURE	TARGET	CURRENT LEVELS
Organizational health	Turnover	Typically a 10% exit rate is considered an optimal balance between a stable workforce and enough movement to allow growth and new experience.	10.32%
	Staff : Management ratio	Meet target of 10 to 1	9:1
	Sick days (incidental + short term)	Maintain average sick days below OPS of 10.1	11.3 (2016 calendar year)

CLIENT SERVICES MEASURES

TYPE OF INDICATOR	MEASURE	TARGET	CURRENT LEVELS
Timeliness of service	Level 1 and Lawyer Service Centre (LSC) – % of calls answered within 3 mins	80%	L1: 83% LSC: 69% worklist/in-custody: 88%
	Level 2 and summary legal advice (SLA) – % of calls answered within 20 mins	80%	L2: 79% SLAF: 74% SLAC: 76%
	Same-day decisions for certificate applications	80%	76%
	Percentage of area office appeals heard within three days	80%	52%
	Application acceptance rates for certificates	87%	88%
Lawyer satisfaction	Overall lawyer satisfaction	60%	56% positive (2016 survey)
Client satisfaction	Overall client satisfaction	80%	93% positive (2016 in-person survey) 43% positive (2016 web survey)
	Percentage of clients who would self-represent if not for LAO	Maintain	49% (2016 in-person survey) 35% (2016 web survey)
Access to justice	Number of Ontarians financially eligible for LAO's services	Maintain	1.54M (as on April 1, 2017)



MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis is intended to assist readers in understanding the operating results and financial position of LAO as well as its strategic direction regarding the provision of services in the future.

This report should be read in conjunction with LAO's audited financial statements for the year ended March 31, 2017, prepared in accordance with Canadian generally accepted accounting principles, and the accompanying notes, which form a part of those statements.

BALANCED BUDGET PLAN DEVELOPED BY LEGAL AID ONTARIO

On May 9, 2017, the Ministry of the Attorney General (MAG) published the LAO review report by Deloitte to the public. Deloitte was engaged by MAG to conduct an independent review of LAO considering three objectives:

- assess LAO's forecasting methodology regarding financial and legal eligibility;
- review LAO's internal governance and decision-making procedure as it relates to budget management; and
- review LAO's balanced budget plan announced in December to confirm its feasibility

Deloitte made several recommendations in order to support LAO's strategy in creating sustainable and feasible mitigation strategies. These areas include the forecasting methodology regarding financial and legal eligibility, LAO's internal governance & decision-making procedure as it relates to budget management,

and LAO's balanced budget plan. Of the three recommendations presented by Deloitte, LAO successfully fulfilled one by creating an overarching balanced budget plan. Deloitte's recommendation regarding the forecasting methodology will be considered in the future as LAO considers future expansion of services, and the recommendations for internal governance and decision-making procedures are currently being reviewed by LAO in order to be implemented in the near future.

Due to the financial pressures exerted from financial and legal eligibility expansion, increased refugee costs, and other operational pressures, LAO developed a preliminary plan to return to a balanced operating budget. The plan included mitigation strategies that collectively attempt to return LAO to a balanced budget. This plan was presented to LAO's Board of Directors and approved in December 2016.

EXECUTIVE SUMMARY OF FINANCIALS

Summary of LAO's financial position

- LAO's operating deficit for the period ending March 31, 2017 is \$25.5M
- Staff had forecast the deficit to be about \$26M this fiscal year
- The operating deficit is mainly attributed to :
 1. financial eligibility overspending
 2. increase in refugee demand
 3. existing operating pressure

EXPLANATION OF SIGNIFICANT DIFFERENCES BETWEEN 2017 AND 2016 FISCAL YEARS

Revenues (page 51)

Summary of revenues (\$000's)	2017	2016	Increase/ (Decrease)
Government of Ontario ¹	\$365,563	\$363,766	\$1,797
Financial eligibility ²	\$48,810	\$31,500	\$17,310
Law Foundation ³	\$29,345	\$25,211	\$4,134
Client contributions ⁴	\$11,157	\$9,995	\$1,162
Client & other recoveries ⁵	\$941	\$811	\$130
Investment income ⁶	\$182	\$390	(208)
Miscellaneous ⁷		\$969	(969)
TOTAL REVENUES	\$455,998	\$432,642	\$23,356

Notes

1&2. Government funding


\$19.1M
 increase

(\$000s)	2017	2016	Increase/ (Decrease)
Gov. of Ontario base funding	\$344,549	\$344,589	(\$40)
Base funding reinstatement ^A	\$1,000	\$3,000	(\$2,000)
Contingency reserve income recognition ^B	\$1,400	\$5,000	(\$3,600)
Gov. of Ontario criminal ^C	\$3,419		\$3,419
Gov. of Ontario ProBono & Innocence Canada ^C	\$575		\$575
Gov. of Ontario bail funding ^C	\$500		\$500
Gov. of Ontario - new 2013 family funding ^D	\$6,400	\$11,000	(\$4,600)
Gov. of Ontario - Department of Justice ^E	\$7,720	\$177	\$7,543
SUBTOTAL	\$365,563	\$363,766	\$1,797
Gov. of Ontario - financial eligibility ^F	\$48,810	\$31,500	\$17,310
TOTAL MAG CONTRIBUTIONS	\$414,373	\$395,266	\$19,107

A Government of Ontario

In 2012, LAO's transfer payment was reduced by \$3M. MAG agreed to reinstate this transfer payment reduction through its own budget allocation. In early 2016/17, MAG notified LAO that they would no longer continue to provide this funding. After some discussion, MAG agreed to reduce the reduction from \$3M to \$2M so that LAO would not affect clinic funding.

B LAO utilized the remaining \$1.4M in its contingency reserve for the unfunded component of tariff increases, as discussed earlier.

C LAO received various additional funding amounts in 2016/17

- In March 2017, the Government of Canada announced an increase of \$3.4M in funding in support of the provision of criminal legal

aid in Canada. While the final formula for distribution hasn't been agreed to among the provinces, LAO's portion is expected to increase to \$8.4M by 2021/22.

- The Attorney General announced the establishment of the Bail Modernization Program. To support this initiative, LAO received \$0.5M in 2016/17, and another \$4M for 2017/18 and future years
- MAG request that the oversight of the funding to Pro-Bono and Innocence Canada be managed through LAO. As a result, MAG flowed \$0.6M through LAO for the Pro-Bono and Innocence Canada program.

D New 2013 family funding

LAO received \$30M over three years. However, these funds were spent over four years. FY 2016/17 was the last year for family funding and LAO was provided with \$5.6M, however, MAG provided an additional one-time funding of \$0.8M to cover expenditures of the program to the end of FY 2016/17. Total expenditures for family funding initiatives for FY 2016/17 were \$6.6M.

E Department of Justice

The Federal Department of Justice, the Federal Department of Immigration Citizenship Canada and MAG provided LAO with an additional \$7.7M (\$6.7M from federal departments and \$1.0M from MAG) in fiscal 2016/2017 to offset the additional costs incurred by LAO resulting from the increased refugee demand.

F Government of Ontario - financial eligibility

Revenues	2016/17 (in millions)	2015/16 (in millions)	Variance
Certificate program	31.7	17.1	14.6
Clinics	9.8	9.8	0.0
Staff services	2.5	1.5	1.0
Administrative expenses	4.8	3.2	1.6
TOTAL	48.8	31.6	17.2

- Funding received in 2016/17 was \$17M higher than 2015/16, almost \$15M of this increase was attributed to the certificate program
- Expenditures related to financial eligibility was \$61.9M which exceeded the funding received as follows :

Expenditures	2016/17 (In millions)	2015/16 (In millions)	Variance
Certificate program	46.4	21.7	24.7
Clinics <small>(\$9.8M less \$2.2M surplus recovery)</small>	7.6	9.9	(2.3)
Staff services	3.0	2.4	0.6
Administrative expenses	4.8	3.2	1.6
TOTAL	61.8	37.2	24.6

- To offset this over expenditure and since clinics had substantial unspent financial eligibility funding, the LAO Board approved that clinics return \$2.2M of their previous years' financial eligibility allocation.

3. Law Foundation of Ontario

In FY 2016/17, Law Foundation of Ontario revenues increased by \$4.1M from \$25.2M to \$29.3M this year primarily because:

- the Law Foundation mixed-trust account balances were over \$5B, the highest balance ever recorded due to the boom in the real estate market which had a positive impact on LFO's revenues


\$4.1M
increase

4. Client contribution

Client contribution revenue increased by \$1.2M, from \$10M to \$11.2M this year. The increase is attributed to the financial eligibility contribution threshold moving up and the amount of lawyer billings increasing.


\$1.2M
increase

7. Miscellaneous

Miscellaneous revenue was impacted by a prior year amount of \$250K, which was reversed in FY 2016/17. This was a reversal of an over accrual for HST.


\$0.9M
decrease

Expenditures (pages 51-54)

Summary of expenditures (\$000s)	2017	2016	Increase/ (Decrease)
Certificate program ¹	\$231,788	\$196,029	\$35,759
Staff office ²	\$22,568	\$22,206	\$362
SUBTOTAL	\$254,356	\$218,235	\$36,121
Duty counsel ³	\$56,246	\$55,578	\$668
Clinic program ⁴	\$87,114	\$92,273	(\$5,159)
Service innovation projects ⁵	\$2,205	\$1,766	\$439
Program support ⁶	\$28,792	\$28,315	\$477
Service provider support	\$6,690	\$6,332	\$358
Administrative and other costs ⁷	\$46,096	\$43,937	\$2,159
TOTAL EXPENDITURES	\$481,499	\$446,436	\$35,063

Notes

1. Certificate program

The \$35.8M increase breaks down by area of law as follows:



\$35.8M
 increase

(\$000s)	2017	2016	Increase/ (Decrease)
Criminal - BCM	\$29,501	\$30,162	(\$661)
Criminal - non-BCM	\$95,907	\$81,931	\$13,976
Family	\$76,280	\$60,654	\$15,626
Immigration/refugee	\$22,838	\$17,108	\$5,730
Civil	\$7,262	\$6,174	\$1,088
TOTAL EXPENDITURES	\$231,788	\$196,029	\$35,759

The \$35.8M breaks down as follows:

- \$36.4M related to regular certificates and
- A decrease of \$0.7M in the Big Case Management certificate program costs

The \$36.4M increase in the regular certificate program is mainly attributed to:

- Increase in financial eligibility of \$24.7M in certificates
- Tariff increase impact of \$6.7M
- Additional refugee program costs of \$5.5M as a result of increased demand
- On average, costs of certificates issued in the current year of payments historically represent 36% of the certificate program. Recently, that

percentage has increased to 39%, indicating a shift in how payments affect each fiscal year. Additionally, the cost of certificates issued in the prior year (FY 2015/16) represented 44% of in year costs compared to 41% in prior years. The increase in prior years can be attributed to the launch of the legal eligibility threshold in 2015/2016 where LAO saw an overall increase in certificates issued by 24.5%, the largest one-year increase, in over a decade. Since a sizable portion of certificates issued are minor criminal, most of which would be block fees these certificates had shorter life cycles resulting in faster payments.

The \$0.7M decrease in the Big Case Management (BCM) program is broken down as follows:

BCM (\$000s)	2017	2016	Increase/ (Decrease)
Certificate costs - BCM	\$25,595	\$26,924	(\$1,329)
Certificate costs - Midcase	\$2,262	\$1,997	\$265
Certificate costs - GATCC	\$625	\$87	\$538
Certificate costs - MCMO	\$1,020	\$1,154	(\$134)
TOTAL EXPENDITURES	\$29,501	\$30,162	(\$661)

Comparison of cost components with the same period of last year indicates that certificate cost

has decreased by \$1M, whereas administrative cost has decreased by only \$0.1M.

3. Duty counsel program

The duty counsel program has increased from \$55.6M to \$56.3M as a result of increases in staff duty counsel costs, attributed to salary and benefit increases (pension). Compared to FY 2015/16 where the duty counsel program cost rose by \$4.4M, LAO did exceptionally well in garnering savings for the duty counsel program through vacancy savings.



4. Clinic program

The clinic program has decreased from \$92.3M to \$87.1M as a result of a reduction in Capacity and Transformation funding by \$3M, which was part of the 2013 family funding that finished in 2015/16 for clinics, and the \$2.2M financial eligibility surplus returned to LAO.



6. Program support

Program support includes regional operations, district offices and the Client and Lawyer Support Centre. The program has increased from \$28.3M to \$28.8M as a result of:

- \$0.3M in increased salaries and benefits, primarily from the salary increases to lawyers and the enhanced pension plan contributions
- \$0.2M increase in district/area offices

△
\$0.5M
 increase

7. Administration and other costs

The increase in administration and other costs can be attributed to the following:

- An increase of \$2.4M mainly attributed to a rise in payroll and benefit payments in various departments
- A decrease of \$0.3M in bad debts attributed to lower write-offs in 2016/17, that represented the write-offs reported on a twelve month period.

△
\$2.2M
 increase

(\$000s)	2017	2016	Increase/ (Decrease)
Administrative and other costs			
Provincial office	\$38,859	\$36,411	\$2,448
Amortization expense	\$3,249	\$3,263	(\$14)
Bad debt expense	\$3,988	\$4,263	(\$275)
TOTAL EXPENDITURES	\$46,096	\$43,937	\$2,159

BALANCE SHEET

Explanations of significant changes in balance sheet balances:

Assets	2017	2016	Increase/ (Decrease)
Cash and cash equivalents	\$4,702	\$5,363	(\$661)
Short-term investments	\$5,028	\$30,627	(\$25,599)
SUBTOTAL¹	\$9,730	\$35,990	(\$26,260)
Other receivables ²	\$15,989	\$11,112	\$4,877
Capital assets ³	\$4,486	\$6,982	(\$2,496)
Accounts payable and accrued liabilities ⁴	\$91,274	\$85,232	\$6,042
Accumulated deficit ⁵	(\$30,291)	(\$11,367)	(\$18,924)
Internally restricted reserves ⁶	\$4,486	\$11,063	(\$6,577)

Notes

- Decrease in cash and short-term investments of \$26.3M resulting mainly from; \$25.5M in operating deficit and \$0.8M in purchasing of capital assets (please refer to page 7 of the financial statements)
- The increase in other receivables relates to higher receivables in 2016/17 versus 2015/16, broken down as follows:
 - Higher HST receivables - \$8.6M was outstanding in 2016/2017 compared to \$5.8M that was outstanding in 2015/2016
 - Lower receivables from MAG - \$1.7M was outstanding in 2016/2017 compared to \$2.4M that was outstanding in 2015/2016
 - Higher receivables from the Department of Justice - \$0.6M was outstanding in 2016/2017 compared to \$0.4M that was outstanding in 2015/2016
- The increase in accounts payables relates to:
 - An increase in the Work In Progress (WIP), \$60.8M in 2016/2017 compared to \$52.9M in 2015/2016. The increase in WIP has resulted mainly from the increased certificate costs attributed to the financial eligibility.
- Decrease in internally restricted reserves relates to:
 - As discussed earlier, the internally restricted reserves have been fully utilized to pay for the specialty clinics co-location and the unfunded tariff, as well as a decrease in invested capital. A more detail breakdown is described below.

NET ASSET/ (DEFICIT) POSITION

LAO's March 31, 2017 net deficit position is \$(25.8)M, consisting of:

an operating deficit of \$25.5M	a restricted reserve of \$1.2M for specialty clinics which was set aside in FY 2015/2016, was spent in FY 2016/17, utilizing the full reserve	\$2.9M for future unfunded tariffs which was set aside in FY 2015/2016, was utilized in FY 2016/17, utilizing the full reserve.	invested in capital assets, which is an appropriation for future depreciation costs of \$4.5M.
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INTERNALLY RESTRICTED RESERVES (FUTURE UNFUNDED TARIFF LIABILITY AND SPECIALTY CLINICS)

Net assets (\$000's)	2017	2016	Increase/ (Decrease)
Net accumulated deficit	(\$11,367)		(\$11,367)
Operating deficit	(\$25,501)	(\$13,794)	(\$11,707)
SUBTOTAL	(\$36,868)	(\$13,794)	(\$23,074)
Transferred from internally restricted reserves	\$6,577	\$2,427	\$4,150
SUBTOTAL	(\$30,291)	(\$11,367)	
Internally restricted reserves - invested in capital	\$4,486	\$6,982	(\$2,496)
Internally restricted reserves - specialty clinics			
Internally Restricted Reserves - unfunded tariff		\$1,163	
NET DEFICIT, END OF YEAR		\$2,918	(\$1,163)
	(\$25,805)	(\$304)	(\$2,918)

CONCLUSION

\$25.5M

LAO's operating deficit
for the period ending
March 31, 2017

LAO's fiscal situation has been impacted by numerous pressures occurring simultaneously

1

**Financial
eligibility
overspending**

2

**Increase
in refugee
demand**

3

**Existing
operating
pressures**

LAO has developed mitigation efforts through its balanced budget plan to eliminate these pressures.

The overarching balanced budget plan will ensure LAO stays on track with its approved saving initiatives, provide rigorous monitoring and reporting processes and raise to the attention of the Audit and Finance Committee and the Board of Directors any risks that arise during the course of implementation. The risk monitoring tool will allow LAO to identify and rectify changing circumstances early, in order to stay on track and achieve a balanced budget. LAO is currently working towards implementing the remaining recommendations, and will continue to report to the Board on the progress of implementation.



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

For the year ended March 31, 2017



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Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian public sector accounting standards with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.

David Field
President and
Chief Executive Officer

June 14, 2017

Michelle Seguin
Chief Administrative Officer
and Vice President

June 14, 2017



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2017 and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto Ontario
June 14, 2017

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

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BALANCE SHEET

Assets

Current Assets	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Cash and cash equivalents ¹⁵	\$4,702	\$5,363
Investments ⁵	\$5,028	\$30,627
Prepaid expenses and other assets	\$2,489	\$2,630
Client accounts receivable ^{4a}	\$14,298	\$15,709
Other receivables ^{4b}	\$15,989	\$11,112
Subtotal	\$42,506	\$65,441
Long-term client accounts receivable ^{4a}	\$20,124	\$20,995
Capital net assets ⁶	\$4,486	\$6,982
TOTAL ASSETS	\$67,116	\$93,418

Liabilities and Net Assets

Current Liabilities	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Accounts payable and accrued liabilities ⁷	\$91,274	\$85,232
Deferred contributions ⁸	-	\$5,477
Accrued pension liability ¹²	\$1,647	\$1,613
Subtotal	\$92,921	\$92,322
Contingency reserve ¹³	-	\$1,400
Net Assets (Deficit)		
Net accumulated deficit	(\$30,291)	(\$11,367)
Internally restricted fund and net assets ⁹	\$4,486	\$11,063
Subtotal	(\$25,805)	(\$304)
TOTAL LIABILITIES AND NET ASSETS	\$67,116	\$93,418

On behalf of the Board:

 Chair

STATEMENT OF OPERATIONS

Revenue

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Total government funding ^{1a,2}	\$414,373	\$395,266
The Law Foundation of Ontario	\$29,345	\$25,211
Client contributions	\$11,157	\$9,995
Client and other recoveries	\$941	\$811
Investment income ⁵	\$182	\$390
Miscellaneous income	-	\$969
TOTAL REVENUE	\$455,998	\$432,642

Expenses³

Client Programs

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Certificate Program		
Criminal - Big cases	\$29,501	\$30,162
Criminal - Other	\$95,907	\$81,931
Subtotal	\$125,408	\$112,093
Family	\$76,280	\$60,654
Immigration and refugee	\$22,838	\$17,108
Other Civil	\$7,262	\$6,174
Subtotal	\$231,788	\$196,029

Client Programs (continued)

Certificate Program	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Settlement conferences	\$232	\$163
Family law offices	\$6,955	\$6,821
Integrated law offices	\$4,120	\$3,698
Criminal law offices	\$3,051	\$2,927
Refugee law office	\$4,349	\$4,268
Articling students	\$1,976	\$2,471
Nishnawbe-Aski Legal Services Corporation	\$1,885	\$1,858
Subtotal	\$254,356	\$218,235
Duty Counsel Program		
Duty counsel fees and disbursements	\$53,909	\$53,432
Expanded duty counsel	\$2,337	\$2,146
Subtotal	\$56,246	\$55,578
Clinic Program and Special Services		
Clinic law services ¹⁰	\$80,331	\$85,462
Student legal aid services societies	\$5,675	\$5,337
Clinic information management project	\$1,108	\$1,474
Subtotal	\$87,114	\$92,273

Client Programs (continued)

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Service innovation projects		
Other	\$2,205	\$1,766
Subtotal	\$2,205	\$1,766
Program Support		
Regional operations	\$3,061	\$2,740
District/Area office services	\$15,237	\$14,943
Client and legal centre	\$10,494	\$10,315
Subtotal	\$28,792	\$28,315
TOTAL CLIENT PROGRAMS	\$428,713	\$396,167

Other Expenses

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Service provider support		
Research facilities	\$3,857	\$4,015
Lawyers' services and payments	\$2,833	\$2,317
Subtotal	\$6,690	\$6,332
Administrative and Other Costs		
Provincial office	\$38,859	\$36,411
Amortization	\$3,249	\$3,263
Bad debts	\$3,988	\$4,263
Subtotal	\$46,096	\$43,937

TOTAL EXPENSES**\$481,499****\$446,436**

Excess of expenses over revenue for the year

(\$25,501)

(\$13,794)

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)

(\$000s)	Internally restricted Net Assets ⁹	Accumulated (Deficit)	2017 Total	2016 Total
Net assets (deficit), beginning of year	\$11,063	(\$11,367)	(\$304)	\$13,490
Net change in capital assets	(\$2,496)	\$2,496		
Excess of expenses over revenues for the year	-	(\$25,501)	(\$25,501)	(\$13,794)
Transfer from internally restricted	(\$4,081)	\$4,081	-	
NET ASSETS (DEFICIT), END OF YEAR	\$4,486	(\$30,291)	(\$25,805)	(\$304)

STATEMENT OF CASH FLOWS**Operating Activities**

Cash provided by (used in)	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Excess of expenses over revenue for the year	(\$25,501)	(\$13,794)
Adjustments to reconcile deficit of expenses over revenues to net cash provided by operating activities:		
Amortization of capital assets	\$3,249	\$3,263
Accrued Pension	\$34	\$376

Operating Activities (continued)

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Cash provided by (used in)		
Changes in non-cash balances:		
Accrued interest on investments	\$99	\$303
Prepaid expenses and other assets	\$141	(\$649)
Client accounts receivable	\$1,411	(\$111)
Other receivables	(\$4,877)	\$3,372
Long term client accounts receivable	\$871	\$1,867
Accounts payable and accrued liabilities	\$6,042	(\$3,060)
Deferred contributions	(\$5,477)	(\$1,123)
Deferred grants	-	(\$934)
Contingency Reserve	(\$1,400)	(\$5,000)
Subtotal	(\$25,408)	(\$15,490)

Investing Activities

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Cash provided by (used in)		
Redemption of Investment	\$35,500	\$7,899
Purchase of investment	(\$10,000)	-
Subtotal	\$25,500	\$7,899

Capital Activities

Cash provided by (used in)	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
Purchase of capital assets	(\$753)	(\$2,673)
Net decrease in cash and cash equivalents during the year	(\$661)	(\$10,264)
Cash and cash equivalents, beginning of year	\$5,363	\$15,627
Cash and cash equivalents, end of year	\$4,702	\$5,363

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

Nature of Operations

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (“LAO” or the “Corporation”) was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the *Income Tax Act* (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services

- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost effective and efficient.

Basis of Accounting

These financial statements have been prepared in accordance with the Public Sector Handbook ["PS"] of the Chartered Professional Accountants of Canada supplemented by the standards for government not for profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not for profit organizations in Canada and includes the significant accounting policies summarized below.

Financial Instruments

Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Corporation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments reported at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

Other financial instruments, including client accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Unrestricted

contributions are recognized as revenue when initially recorded in the accounts if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments awards, costs and settlements on behalf of legal aid clients are recognized as revenue when awarded.

Investment income, which consists of interest, is recorded in the statement of operations as earned.

Expense Recognition

Expenses are recognized on an accrual basis. Certificate program expenses include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with financial institutions and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value with original maturities of typically less than a year.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the asset as follows:

- Furniture and office equipment - 5 years
- Computer hardware - 3 years
- Enterprise wide software - 3 to 7 years
- Leasehold improvements - over the term of lease

Employee Benefit Plans

The Corporation accrues its obligations under a defined benefit employee plan and the related costs. The cost of post employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight line basis over the estimated average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing. Contributions to a defined contribution pension plan are recorded on an accrual basis.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available. Significant estimates in the financial statements include the allowance for client accounts receivable, accruals related to legal work performed but not yet billed and accrued employee benefits.

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario (the Attorney General) to enter into a Memorandum of Understanding (“MOU”) every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between The Ministry of the Attorney General (“MAG”) and the Corporation. The most recent MOU was signed on November 12, 2014.

a. The Corporation is economically dependent on the Province of Ontario - Ministry of the Attorney General, and contributions recognized are as follows:

(\$000's)	2017	2016
General contributions	\$365,563	\$363,766
Financial Eligibility ²	\$48,810	\$31,500
TOTAL CONTRIBUTIONS	\$414,373	\$395,266

b. Included in contributions from the Province of Ontario for the year ended March 31, 2017 is an amount of \$60.4 million (2016 - \$50.9 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, Immigration and Refugee expenditures for unique pressures through a cost sharing arrangement.

c. Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to allocate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless, under Subsection 69(2), it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

2. Financial Eligibility

In the 2014, 2015 and 2016 provincial budgets, the Government of Ontario committed to provide Ontarians with greater access to justice by increasing the Financial Eligibility threshold by 6% per year. The first increase took place on November 1, 2014; since then there have been increases on April 1, 2015 and April 1, 2016. Further increases are scheduled each year to 2020. LAO received \$48.8 million (note 1(a)) from the Province of Ontario in 2016/17 (2016 - \$31.5

million) and the Province has committed to increase funding to \$67.0 million in 2017/18, \$86.3 million in 2018/19, \$106.4 million in 2019/20 and \$120.1 million in 2020/21.

LAO’s objective is to increase access to justice and ensure that the Financial Eligibility funding is fully utilized by increasing the number of clients served through the certificate program, and the new clinic and staff programs. On average it takes

three years for the full cost on a certificate to be realized. For the past 2 years, expenses incurred exceeded contributions received; these differences in revenue and expenses will offset each other, over the life of the program.

For the year, LAO incurred expenses of \$61.8 million (2016 - \$37.1 million) and received contributions of \$48.8 million (2016 - \$31.5 million). The cumulative receipts for the program is \$86.7 million, LAO has incurred expenses of \$105.3 million.

3. Expenses by Object

Expenses by major line of expenditure (\$000's)	2017	2016
Certificates	\$229,943	\$194,033
Duty Counsel per diem	\$22,193	\$23,483
Clinic funding	\$87,629	\$91,333
Other Transfer Payments	\$1,885	\$1,858
Salaries and benefits	\$110,124	\$107,384
Leases	\$4,842	\$4,713
Bad debts, depreciation and other expenses	\$24,883	\$23,632
TOTAL	\$481,499	\$446,436

The expenses by object note, provides details for salaries, benefits and administrative expenses. The Statement of Operations however, reflects

salaries and benefits and other expenses as they are allocated to the various programs and administrative areas.

4. Accounts Receivable

a. Client accounts receivable

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non contributory certificate. These applicants receive the assistance

they need by entering into a contribution agreement, which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

Represented by	2017 (\$000s)	2016 (\$000s)
Current (non-lien) client accounts receivable	\$14,298	\$15,709
Long-term (lien client accounts receivable)	\$20,124	\$20,995
TOTAL	\$34,422	\$36,704

March 31, 2017 (\$000s)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$65,049	\$32	\$198	\$88	\$64,731
Less: impairment allowance	(\$30,627)	(\$12)	(\$106)	(\$28)	(\$30,481)
TOTAL	\$34,422	\$20	\$92	\$60	\$34,250

March 31, 2016 (\$000s)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$66,425	\$185	\$200	\$234	\$65,806
Less: impairment allowance	(\$29,721)	(\$98)	(\$98)	(\$100)	(\$29,425)
TOTAL	\$36,704	\$87	\$102	\$134	\$36,381

b. Other receivables

Other receivables are comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency for Harmonized

Sales Tax (HST) rebate and both the Federal Department of Justice (DOJ) and MAG for protocol cases.

March 31, 2017 (\$000s)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$1,681	\$1,681	-	-	-
DOJ protocol cases	\$565	\$375	-	-	\$190
HST receivable	\$8,606	\$3,262	\$2,596	\$2,748	-
The Law Foundation of Ontario	\$4,570	\$4,570	-	-	-
Other receivables	\$567	\$567	-	-	-
TOTAL	\$15,989	\$10,455	\$2,596	\$2,748	\$190

March 31, 2016 (\$000s)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$2,399	\$476	\$502	\$550	\$871
DOJ protocol cases	\$374	\$66	\$56	\$127	\$125
HST receivable	\$5,811	\$2,959	\$2,621	-	\$231
The Law Foundation of Ontario	\$1,794	\$1,794	-	-	-
Other receivables	\$734	\$373	-	-	\$361
TOTAL	\$11,112	\$5,668	\$3,179	\$677	\$1,588

5. Investments

(\$000s)	2017	2016
Guaranteed investment certificates	\$5,000	\$30,500
Accrued interest	\$28	\$127
TOTAL	\$5,028	\$30,627

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's

short term and long term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2017 are in compliance with the statutory requirements. Short term investments held of \$5.0 million (2016 \$30.5 million) are invested at 0.09%.

The Corporation earned investment income of \$0.2 million in 2017 (2016 - \$0.4 million).

6. Capital Assets

2017

(\$000s)	Cost	Accumulated Amortization
Furniture and office equipment	\$131	\$87
Computer hardware	\$4,741	\$3,007
Leasehold improvements	\$6,903	\$4,660
Enterprise-wide software	\$17,910	\$17,445
Subtotal	\$29,685	\$25,199
NET BOOK VALUE		\$4,486

2016

(\$000s)	Cost	Accumulated Amortization
Furniture and office equipment	\$209	\$139
Computer hardware	\$5,859	\$2,956
Leasehold improvements	\$6,640	\$3,781
Enterprise-wide software	\$17,847	\$16,697
Subtotal	\$30,555	\$23,573
NET BOOK VALUE		\$6,982

7. Accounts Payable and Accrued Liabilities

Legal accounts	2017 (\$000s)	2016 (\$000s)
Accruals for billings received but not paid	\$20,775	\$19,500
Estimate of work performed but not yet billed	\$60,783	\$52,853
Rent inducements	\$336	\$558
Trade and other payables	\$6,781	\$9,971
Vacation pay	\$2,599	\$2,350
TOTAL	\$91,274	\$85,232

8. Deferred Contributions

The Province of Ontario provided LAO with \$30.0 million funding over a three year period, starting in 2013/14. This was to enhance family law services. LAO has now received the total amount under the program. The amount deferred was fully utilized this year. The following chart shows comparative balances.

(\$000's)	2017	2016
Balance, beginning of year	\$5,477	\$6,600
Provincial funding received	-	\$10,000
Amounts recognized ^{1a}	(\$5,477)	(\$11,123)
BALANCE, END OF YEAR	-	\$5,477

9. Internally Restricted Net Assets

a. Annually, the Board of Directors determines the amount, if any, to be transferred between accumulated surplus (deficit) and internally restricted net assets. These internally

restricted amounts are not available for other purposes without approval of the Board of Directors. Internally restricted net assets consist of the following:

(\$000's)	2017	2016
Invested in capital assets ^{9b}	\$4,486	\$6,982
Internally restricted for the specialty clinic co-location project ^{9c(i)}	-	\$1,163
Internally restricted for the cost of the tariff increases ^{9c(ii)}	-	\$2,918
TOTAL	\$4,486	\$11,063

b. Invested in capital assets represents the amount of net assets that are not available for other purposes because they have been used to fund the purchase of capital assets. Changes in net assets invested in capital assets during the year consist of the following:

(\$000's)	2017	2016
Balance, beginning of year	\$6,982	\$7,572
Purchase of capital assets	\$753	\$2,673
Amortization	(\$3,249)	(\$3,263)
BALANCE, END OF YEAR	\$4,486	\$6,982

c. (i) The Board of Directors set aside \$3 million in a restricted reserve in 2014/15 to be used to pay for leasehold improvements related to the co location of specialty clinics. During this year \$1.2 million was spent (2016 - \$1.8 million), utilizing the full reserve.

(ii) In 2010, MAG, LAO and the Criminal Law Association entered into a MOU that included seven tariff increases of 5% over six years. As a result of government restraints, LAO is funding approximately \$14 million from internal savings. In 2014/15, the Board of Directors set aside \$2.9 million as a restricted reserve to offset this component of the cost of the tariff increases, this amount was used in 2016/17.

10. Clinic Law Services

The Corporation provides funding to community clinics, enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and

managed by a board of directors. Community clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act*, 1998. Each community clinic is independently audited and is required to provide audited financial statements to

the Corporation for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

(\$000's)	2017	2016
Payment to and on behalf of clinics	\$80,331	\$85,462

11. Commitments and Contingencies

- a. The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. As at March 31, 2017, management estimates that a potential \$58.3 million (2016 - \$51.9 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2017 over and above the billings received to date and management's estimate of work performed but not yet billed.
- b. The Corporation leases a vehicle, equipment, and various office premises at locations, throughout the Province. The rent and estimated operating costs are based on existing lease agreements and charges for additional rent. Estimated lease expenses for the next five years and thereafter are as follows:

Estimated Lease Expenses (\$000's)	Base Rent	Operating Costs	Vehicle and Equipment	Total
2018	\$2,198	\$2,649	\$61	\$4,908
2019	\$1,325	\$1,444	\$38	\$2,807
2020	\$563	\$341	\$27	\$931
2021	\$217	\$97	\$21	\$335
2022	\$139	\$97	\$3	\$239
Thereafter	\$321	\$150	-	\$471
TOTAL	\$4,763	\$4,778	\$150	\$9,691

- c. The Corporation is the defendant in a number of lawsuits arising in the ordinary course of business. The outcome and ultimate disposition of these actions are not known; however, based on the claims made, management estimates an amount of \$0.3 million and have made the necessary provision. Some of the above lawsuits are covered by insurance after the application of a deductible of up to \$50 thousand, depending on when the event of the claim occurred and the nature of the claim.

12. Pensions

The Corporation has two pension plans providing retirement benefits for its employees. There are two components to the regular plan: a defined contribution and a defined benefit component. In addition, there is also a non registered supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 982 (2016 - 961) employees. LAO increased its contribution to nine percent effective January 1, 2016. The Corporation's pension expense for the year relating to this component of the plan was \$7.6 million (2016 - \$6.1 million). LAO has a transition plan to get all employee contributions to nine percent of the employees' pensionable earnings by January 1, 2018. As a result, the existing employee contribution rate varies between six and nine percent depending on the contribution of the employees to the component of the plan.

Defined Benefit Component

The defined benefit component of the plan covers a total of 16 employees; there are 3 active (2016 - 3) participants and 13 retirees (2016 - 13). Actuarial gains (losses) are amortized on a straight line basis over the estimated average remaining service period of the active employees, which is four years as at March 31, 2017 (2016 - three). Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is subject to actuarial valuations for funding purposes at intervals of not more than three years. The actuarial valuation for the new three year period starting January 1, 2014 was completed.

The next actuarial valuation of the Plan for

funding purposes will be prepared as at January 1, 2017. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

(\$000's)	2017	2016
Accrued benefit obligation	\$3,576	\$3,640
Fund assets at market value	\$4,319	\$4,076
Funded status - plan surplus	\$743	\$436
Unamortized net actuarial loss (gain)	(\$137)	\$225
Accrued pension asset	\$606	\$661

The expense related to the Corporation's defined benefit component of the plan consists of the following :

(\$000's)	2017	2016
Current period benefit cost	\$26	\$24
Amortization of actuarial (gains) losses	\$75	(\$20)
Interest revenue	(\$22)	(\$35)
TOTAL	\$79	(\$31)

Accrued benefit obligation	2017	2016
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

Benefit expense	2017	2016
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

(\$000's)	2017	2016
Employer contributions	\$25	\$24
Employee contributions	\$10	\$9
Benefits paid	\$187	\$200

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows: Other information about the defined benefit plan is as follows:

Supplementary Executive Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary executive benefit plan for a designated executive member. Under the plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2017.

	2017	2016
Discount rate	4.00%	4.00%
Inflation	1.50%	1.50%

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the year are as follows:

The Corporation's pension expense for the year was \$0.1 million (2016 - \$0.4 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2017 was \$2.25 million (2016 - \$2.27 million). During the year, the Corporation made \$0.10 million (2016 - nil) payments to the plan as benefits to the retiree beginning on April 1, 2016.

Accrued Pension Asset (Liability)	2017 (\$000's)	2016 (\$000's)
Defined Benefit Plan	\$606	\$661
Supplementary Executive Benefit Plan	(\$2,253)	(\$2,274)
TOTAL	(\$1,647)	(\$1,613)

13. Contingency Reserve

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a

contingency reserve fund as prescribed by Section 6 of Ontario Regulation 107/99. This fund was

established on April 1, 1999 with a balance of \$20 million, which was funded by the Corporation. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide the reason why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in the future.

(\$000's)	2017	2016
Balance, beginning of year	\$1,400	\$6,400
Amounts recognized as revenue	(\$1,400)	(\$5,000)
BALANCE, END OF YEAR	-	\$1,400

14. Financial Instruments

The Corporation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Corporation is exposed to credit risk in connection with its accounts and other receivables and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable is recorded net of any allowances for impairment³

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government

and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Corporation keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within 21 days on certificates. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Interest rate risk

The Corporation is exposed to interest rate risk with respect to its investments held at variable interest rates.

At year end LAO had \$5.0 million (2016 - \$30.5 million) invested in Guaranteed Investment Certificates (GIC), at the rate of prime (2.7%) minus 1.8% with a maturity date of March 2018.

15. Comparative Figures

Certain prior year figures may have been reclassified in order to conform to current year's presentation.



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