

2017-2018 ANNUAL REPORT

LEGAL AID ONTARIO



LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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Ce document est disponible en français.

Legal Aid Ontario receives financial assistance from the Government of Ontario,
the Law Foundation of Ontario, and the Government of Canada.

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LETTER TO THE MINISTER



September 7, 2018
The Honourable Caroline Mulroney
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 annual report for the year ended March 31, 2018.

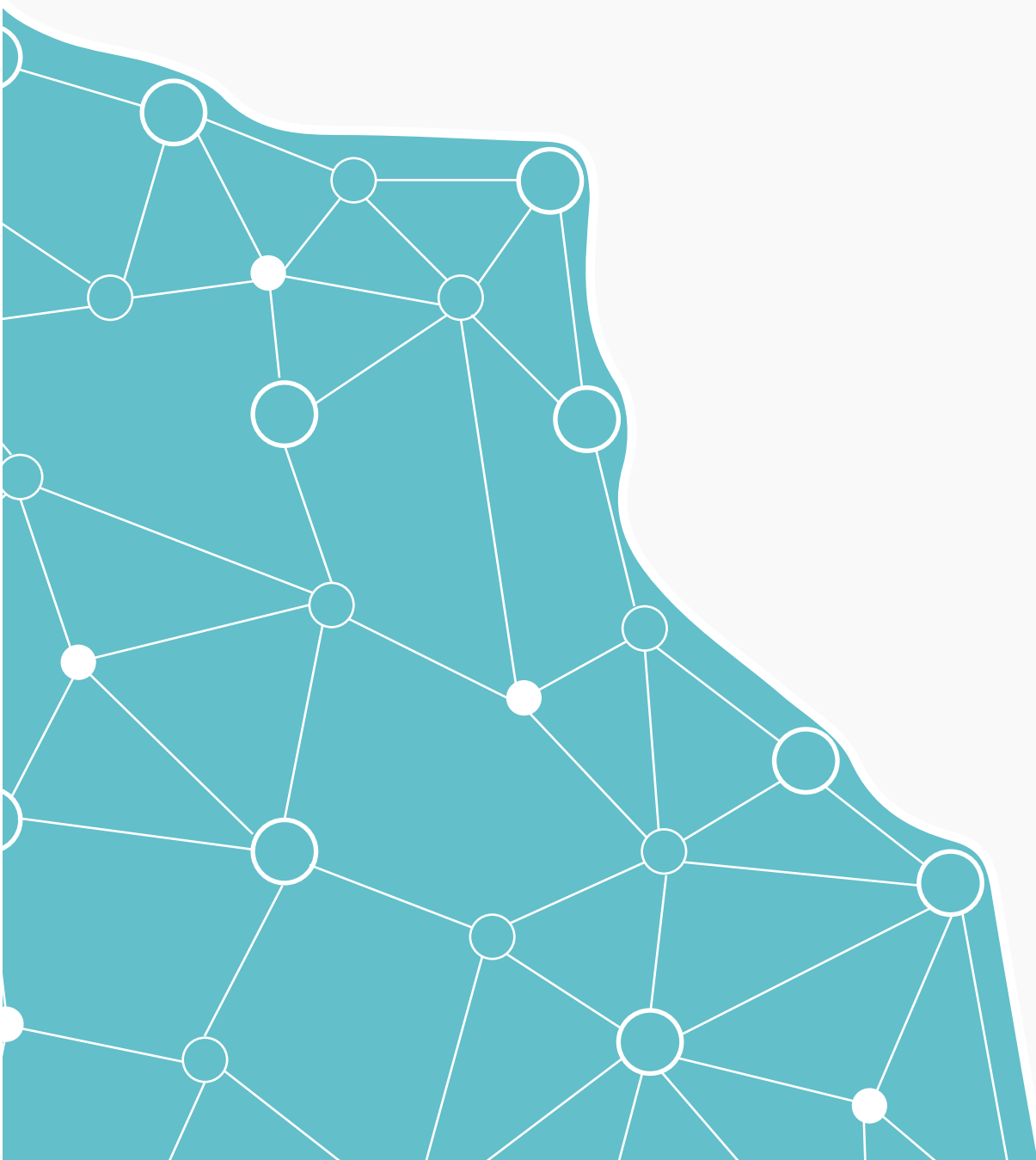
On behalf of the people of Ontario, we thank you, your ministry and the Government of Ontario for your ongoing support of Legal Aid Ontario and its mission to provide fair and equal access to justice for low-income Ontarians.

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.

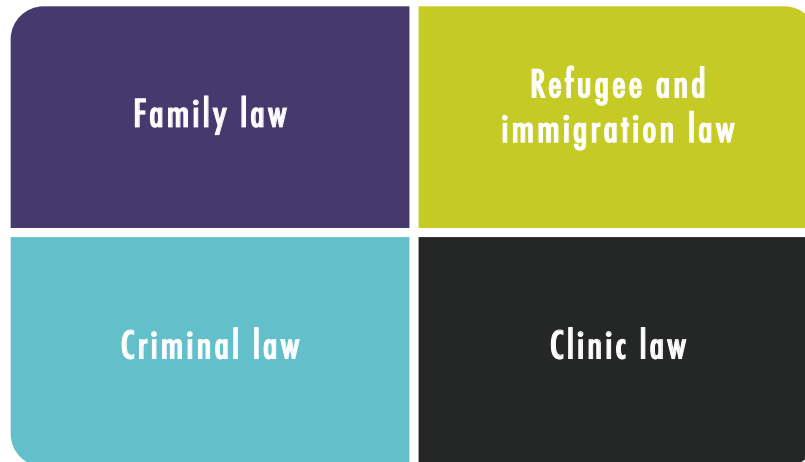
John D. McCamus
Chair
Legal Aid Ontario

ABOUT LEGAL AID ONTARIO



ABOUT LEGAL AID ONTARIO

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



LEGAL AID SERVICES

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.

Over the phone

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

Representation by a private lawyer

Financially eligible clients with legal matters covered by Legal Aid Ontario 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.

Community 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



MESSAGE FROM THE CHAIR

Legal Aid Ontario (LAO) has a valuable perspective on Ontario's justice system because of our unique role in its operation. This past fiscal year, we have continued to play a constructive role in promoting improvements to the administration of justice and greater access to justice for low-income Ontarians.

Since 2014, LAO has been able to increase the financial eligibility threshold in six percent increments each year. This has allowed LAO to more effectively implement our statutory mandate of promoting access to justice by providing effective legal services to Ontarians who would otherwise be unable to receive them. I would be remiss if I did not express my gratitude for the support of the Province of Ontario to facilitate the movement of financial eligibility closer to the low-income measure.

We are continuing to look at the legal issues of vulnerable communities such as those who identify as First Nation, Métis or Inuit; from racialized communities; those who have experienced domestic abuse; those seeking bail; and those who have mental health or addiction issues to ensure that we meet their specific needs. We continue to consult extensively with clients and the agencies and lawyers that serve them to address how LAO can best serve those vulnerable populations. I share the belief of many in the justice system that by working together, we will find solutions to systemic issues.

Providing effective services has been especially important when it comes to helping refugees. In May of last year, it was clear that the increased demand for refugee services would need to be addressed if LAO were to continue providing these crucial legal services to those in desperate need of our help. LAO is especially grateful to the federal government for an in-year increase in its financial support toward refugee law services.

As an organization, we also owe a great deal of appreciation to our advisory committees, which provide us with input and advice on the future direction for legal aid. This past fiscal year, we



added a new advisory committee with a focus on racialized communities.

During the current year, the Board decided to expand membership of the advisory committees to bring a greater range of opinions to the table to ensure that the Board has a broad spectrum of voices contributing to the discussion of how to ensure that our clients receive the help they need when they need it the most.

In our interactions with private bar lawyers, LAO lawyers, and clinic staff, my fellow Board members and I have developed a deep sense of the valuable work done by those who provide legal aid services. I know I speak on behalf of the Board when I express my gratitude to both LAO and clinic staff, and panel lawyers for their devotion and splendid work in advancing the cause of access to justice for low-income Ontarians.

A handwritten signature in black ink, which appears to read "John McCamus". The signature is stylized and cursive.

John McCamus
Chair

MESSAGE FROM THE CEO



MESSAGE FROM THE CEO

At Legal Aid Ontario (LAO), our mandate has always guided us in determining how to best provide people with the legal help they need within the resources that we have. Prioritizing service delivery therefore always requires careful thought to ensure that our resources are being used prudently and efficiently.

LAO's financial situation has improved significantly in the last year. Difficult decisions were made, but as a result of our budget strategy, increased funding from the federal government (for refugee services) and from the Law Foundation (due to increases to the Bank of Canada interest rate in July and September last year), LAO ended the 2017-18 fiscal year with an operating surplus.

With the increases in funding, including the increase in financial eligibility funding, we look forward to being able to reduce legal gaps and offer some of the expanded services which we were forced to suspend over a year ago. Given the unprecedented demand for these services when they were first introduced in 2015, the implementation will be a careful and slower process, but it will ultimately enable us to serve more people.

While we still have an accumulated deficit that needs to be addressed, we are definitely in a better position than we were a year ago. As we proceed through this current fiscal year, we know that an increase in revenues from the Law Foundation will help us move forward with new services and updates to programs.

Looking ahead, one of LAO's priorities will be the development of a new strategic plan to confirm our vision and to lay out the priorities for the next five years. The strategic plan will guide us in implementing improvements and providing more responsive and meaningful legal aid services.

We couldn't, of course, do what we do without all the private bar lawyers who accept legal aid certificates, the duty counsel and legal aid workers in the courthouses, staff in all of our district offices



and provincial office, as well as those who work in our clinic system. You all play an integral role in the delivery of access to justice for low-income Ontarians—and for that, I thank you.

A handwritten signature in black ink, appearing to read 'David Field'.

David Field
President and CEO

BOARD OF DIRECTORS



BOARD OF DIRECTORS



James McNee
Effective date
June 2008
End date
September 2018

Nancy Cooper
Effective date
February 2009
End date
February 2020

Ann Marie Yantz
Effective date
March 2017
End date
March 2019

**David Field,
President/CEO/
Ex Officio board
member**
Effective date
January 2016
End date
N/A

Christa Freiler
Effective date
July 2015
End date
July 2020

**John McCamus
Chair**
Effective date
July 2007
End date
September 2018

W.A. Derry Millar
Effective date
April 2011
Currently serving at
the pleasure of the
Lieutenant Governor

James N. Yakimovich
Effective date
June 2008
End date
September 2018

ABSENT FROM PHOTO

Remy Sirls-Boulbol
Effective date
January 2018
End date
January 2020

Carol L. Hartman
Effective date
September 2015
End date
September 2020

Timothy John Murphy
Effective date
March 2009
End date
April 2018

Michel Robillard
Effective date
July 2015
End date
July 2020

COMMITTEES



COMMITTEES

ADVISORY COMMITTEES

- **90 members from the community**
 - keep LAO informed about developments “on the ground”
 - help LAO plan initiatives and programs
- **9 advisory committees for:**

Aboriginal issues	mental health law
prison law	family law
clinic law	criminal law
immigration and refugee law	French Language Services
racialized communities	

AREA COMMITTEES

- **9 area committees to hear appeals related to decisions regarding client eligibility for legal aid certificates**
- **approximately 300 people, including lawyers and community representatives are on these committees**

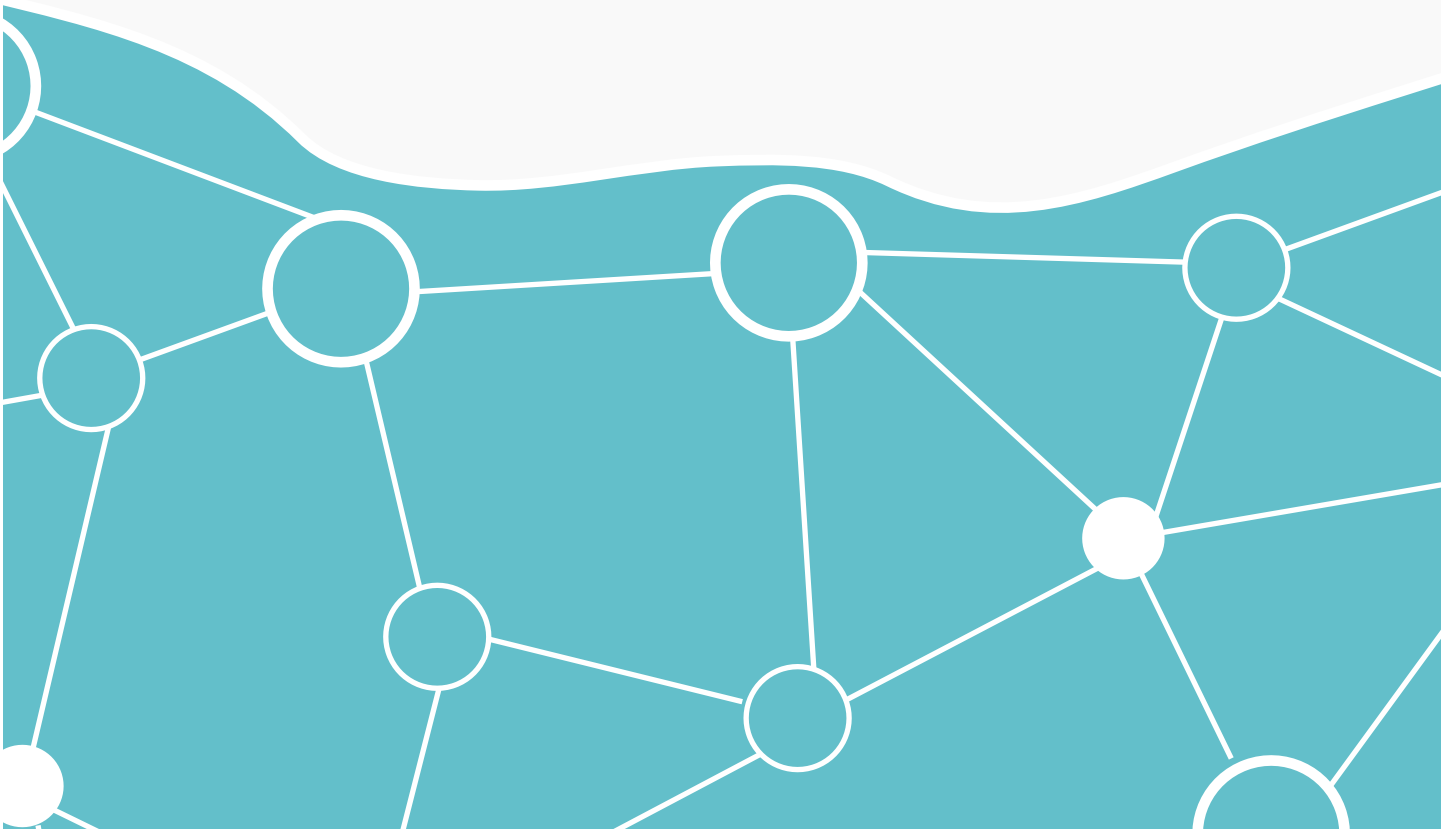
GROUP APPLICATIONS AND TEST CASE COMMITTEE

- **groups can apply for:**
 - legal aid
 - representation at coroners’ inquests
 - test cases involving the *Charter of Rights and Freedoms*
- **individuals or groups can apply for:**
 - funding
 - research support
 - staff lawyer support
 - mentoring
- **committee makes its decision based on:**
 - strengths and weaknesses of legal matter
 - potential impact on low-income Ontarians

EXCEPTIONS COMMITTEE

- **comprised of experienced criminal lawyers that recommend budget for big criminal cases that are anticipated to cost more than \$75,000**

YEAR IN REVIEW



YEAR IN REVIEW

2017

APRIL

- LAO started offering its most requested brochures in 10 additional languages.

JUNE

- MAG announced changes to the fee waiver regulation to allow LAO clients receiving certain legal services to have their court fee waived.
- LAO announced funding for two community organizations—one in Scarborough and one in Ottawa—to support Black youth facing suspension or expulsion hearings.
- After stakeholder consultations in May, LAO confirmed that all immigration and refugee services would continue at the current level.

JULY

- LAO released its racialized communities strategy paper ahead of consultations.

MAY

- LAO received the independent review performed by Deloitte for the Ministry of the Attorney General (MAG). The report examined LAO's forecasting methodology regarding financial and legal eligibility; reviewed LAO's internal governance and decision-making procedure as it relates to budget management; and reviewed LAO's balanced budget plan announced in December 2016 to confirm its feasibility.
- LAO made its Refugee Case Law Toolkit available online.
- LAO consulted on a possible, temporary suspension to some refugee services in the absence of additional funding to meet the increased demand.
- Panel lawyers started submitting requests through Legal Aid Online for authorizations, opinion letters and other documents related to cases involving family, *Child and Family Services Act*, civil, Consent and Capacity Board, and Ontario Review Board.

YEAR IN REVIEW

AUGUST

- LAO released a statement about the dispute resolution process with the African Canadian Legal Clinic.
- LAO announced it was working with an advisory committee to establish a new, community-based organization to deliver legal services to Black Ontarians experiencing racism.

OCTOBER

- LAO posted dates and times for in-person and online consultations to meet with people from racialized communities as well as the lawyers, community legal clinics, and other community agencies that serve them to discuss the issues faced when it comes to getting the legal services needed.
- As part of the dispute resolution process, the African Canadian Legal Clinic requested reconsideration of the August 2017 decision made by the Clinic Committee of LAO's Board to withdraw LAO's funding.
- LAO's courthouse staff started using mobile devices to enter and track client information, LAO services provided, work lists for future court appearances and more.
- LAO's plea comprehension form was made available online, as well as in courthouse duty counsel offices.

SEPTEMBER

- LAO released a three-year action plan for enhancing support for domestic violence clients.
- LAO introduced a six-month pilot at the Toronto South Detention Centre that allows lawyers to submit legal aid applications on behalf of clients, helping to speed up the application process.
- LAO hosted a community meeting to get input on providing legal services to the Black community.

NOVEMBER

- LAO reintroduced merit consideration for consent and capacity appeals. Appeals with little or no merit are no longer funded.
- LAO responded to news coverage of Nigerian LGBTQ refugee claims.
- LAO and MAG created resources to help lawyers and litigants who must serve documents in accordance with the Hague Service Convention.

YEAR IN REVIEW

DECEMBER

- LAO refined its process for the charges heard separately exception to ensure all new certificate requests meet legal aid eligibility requirements.

2018

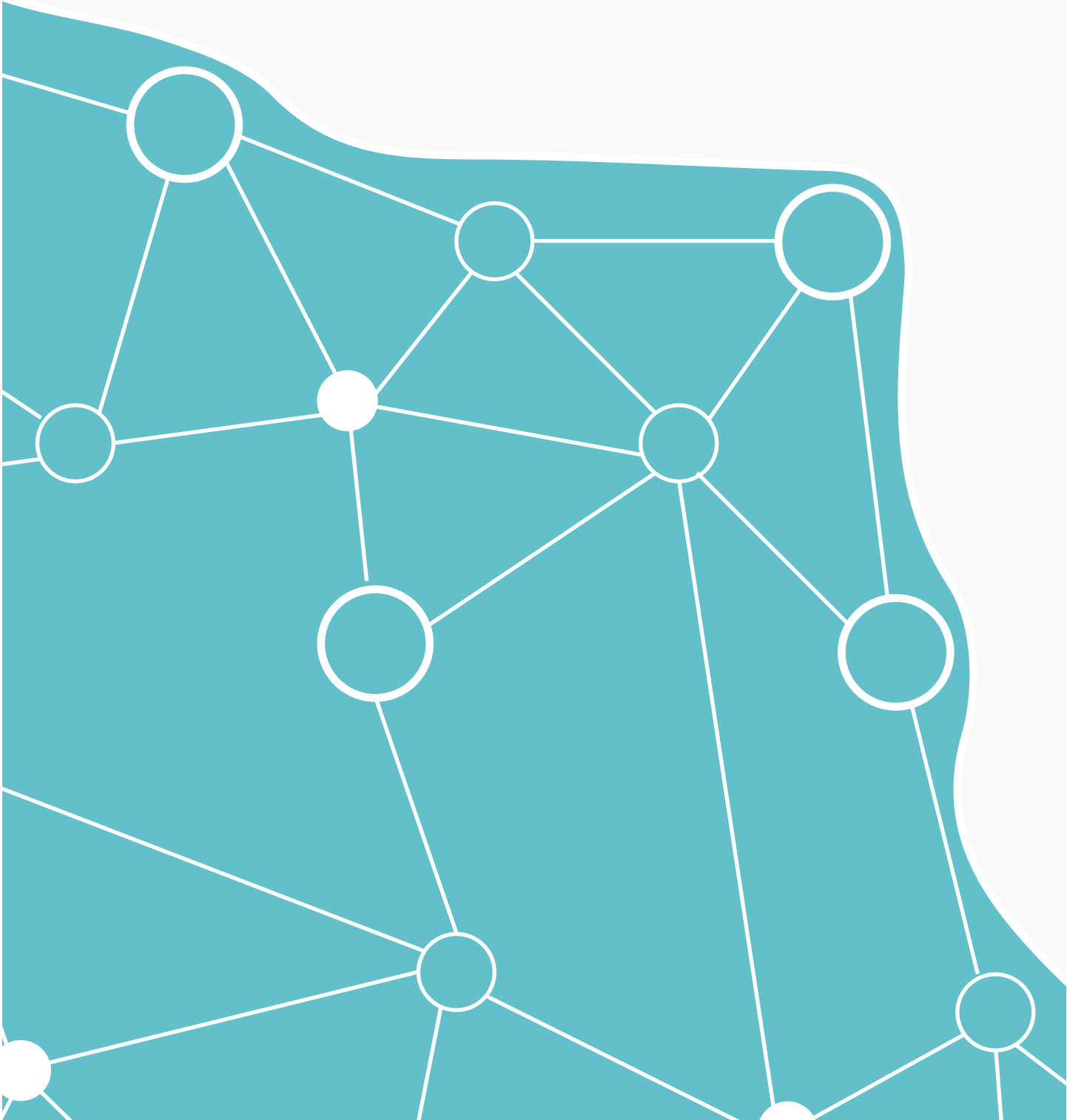
JANUARY

- The Black Legal Action Centre, a new independent legal clinic, was formed.
- 2017 Sidney B. Linden Award goes to Grace Pluchino.

MARCH

- LAO outlined plans to work on an understaffing issue, which has led to longer than normal wait times when people call to discuss their file or to apply for legal aid.
- LAO announced it was raising the eligibility threshold by six per cent for its certificate program and for clinic law services.
- LAO announced it would start asking applicants about their race to help the organization improve its delivery of services and to help create the types of programs that certain racialized groups need.

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. Client calls are streamed into **Tier 1** and **Tier 2**. In Tier 1, clients are matched to the appropriate service and referred to other programs. In Tier 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.

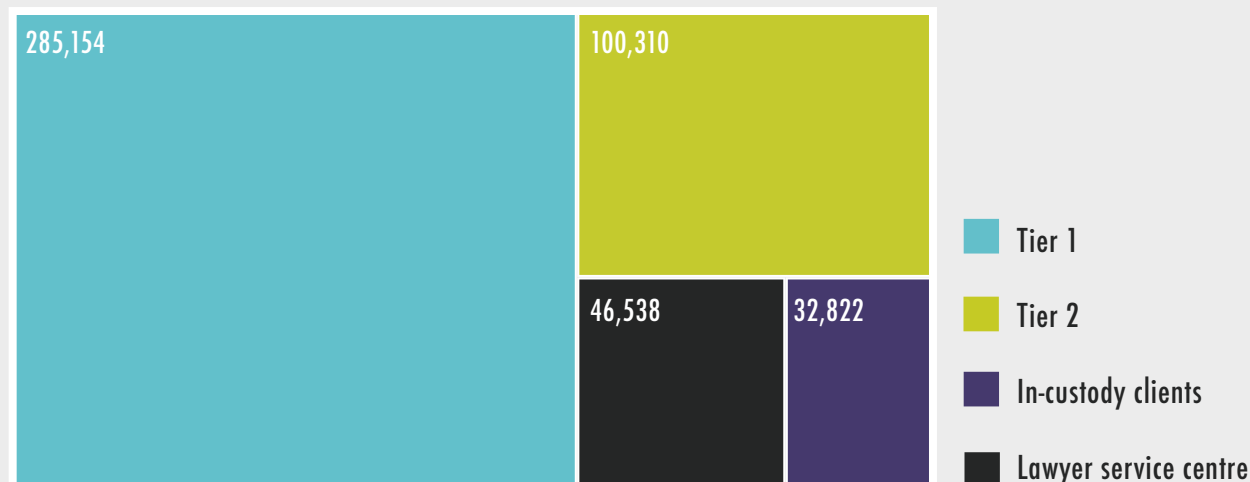
Lawyers who do legal aid work can call LAO’s toll-free **lawyer service centre** for all enquiries relating to their certificates, billing, and accounts.

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.

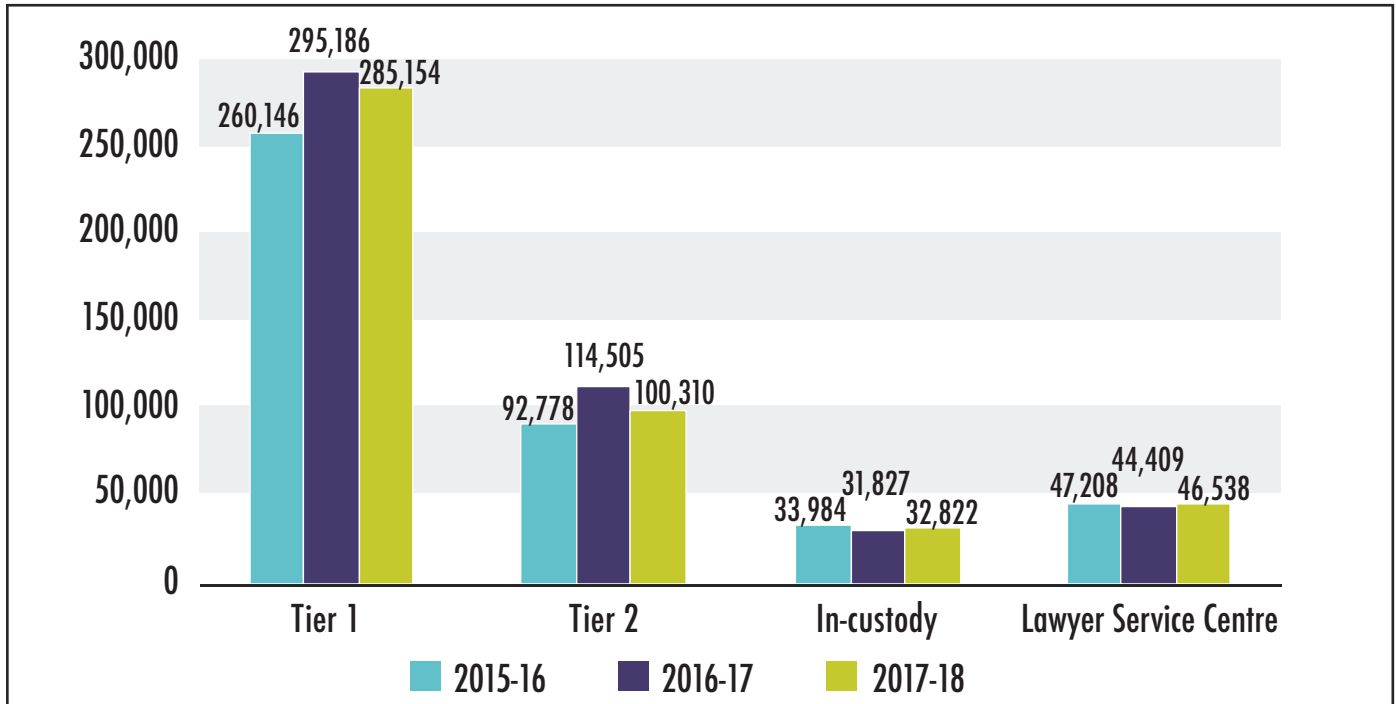
LAO also supports a toll-free **diversion program hotline** for young people aged 17 or younger accused of a non-violent crime. This service is available to inform young people, and their parents, about what to expect in the criminal justice system, including their chances of avoiding jail through alternative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

Service statistics for 2017-18

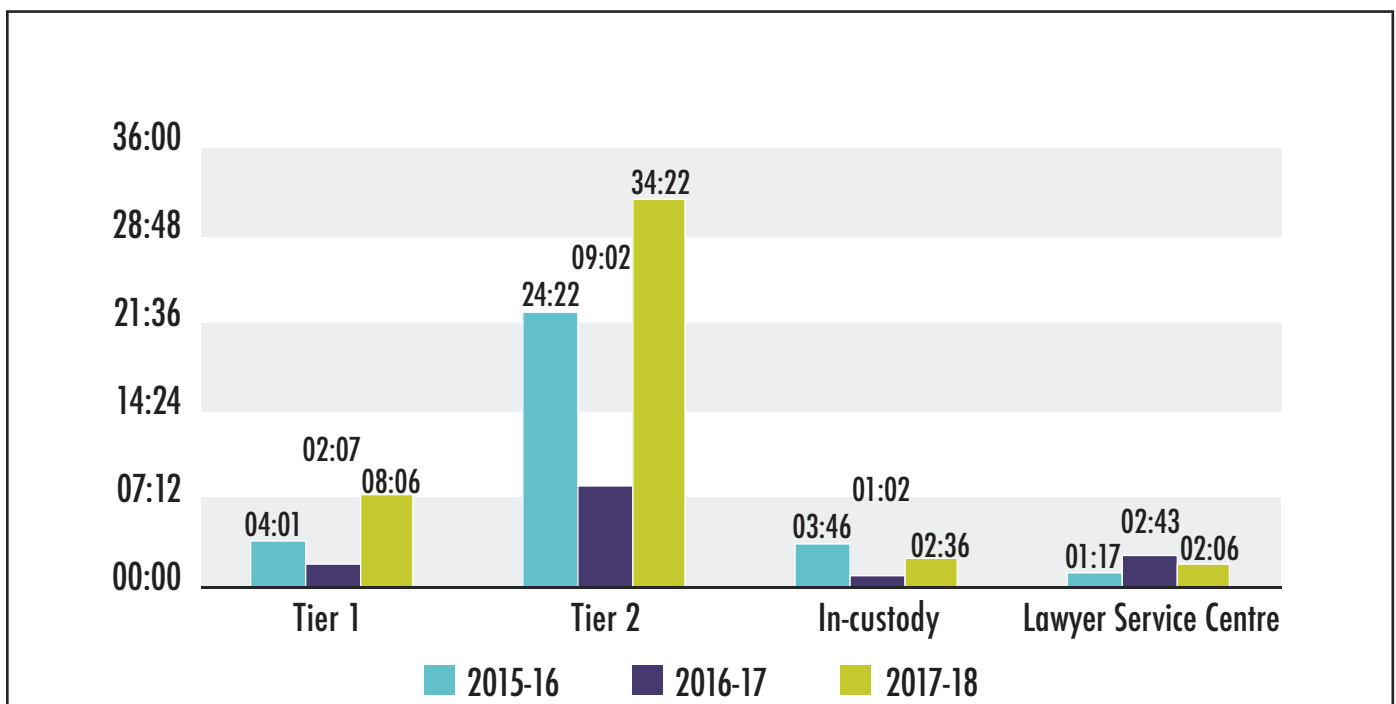
Number of calls answered by Client Service Centre in 2017-18



Number of calls answered by Client Service Centre 2015-2018



Average wait time in minutes



COURTHOUSE SERVICES



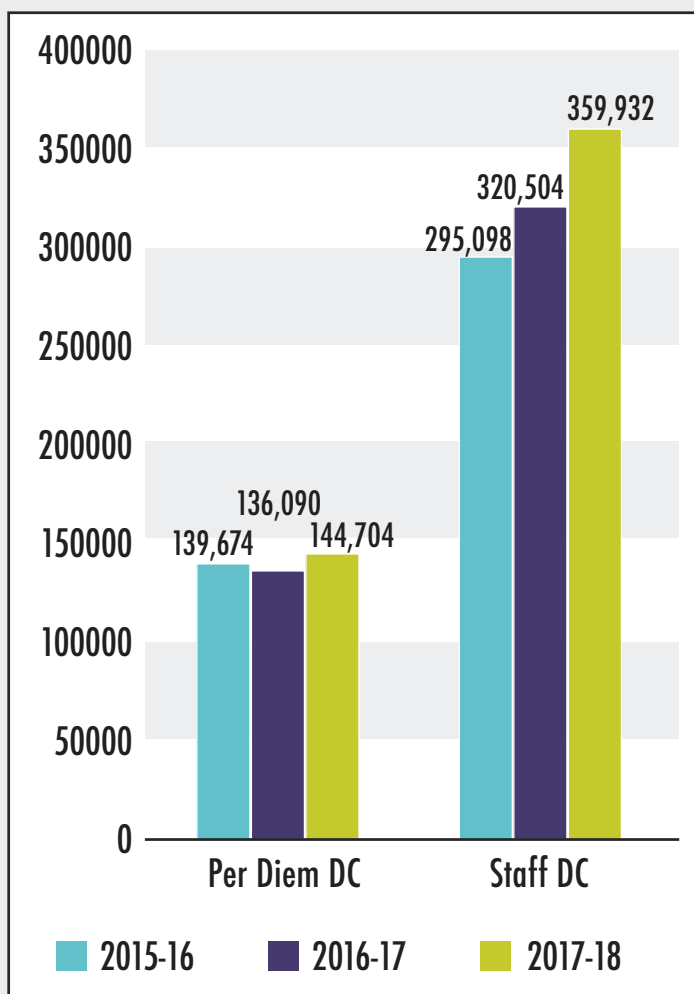
Legal aid workers do their jobs alongside duty counsel and staff lawyers in courthouses and legal aid offices. They can assist clients with in-person certificate applications, contacting sureties and adjourning matters in first appearance court.

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.

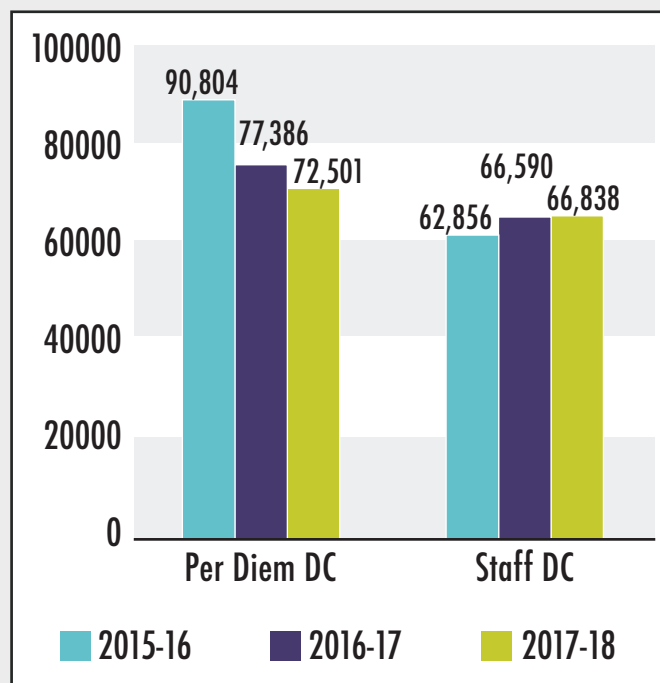
Paralegals are professionals licensed by the same governing body that regulates lawyers – the Law Society of Ontario. Their scope of practice includes summary conviction matters, as well as provincial offences matters.

Service statistics for 2017-18

Criminal court services



Civil court services



REPRESENTATION BY A PRIVATE LAWYER

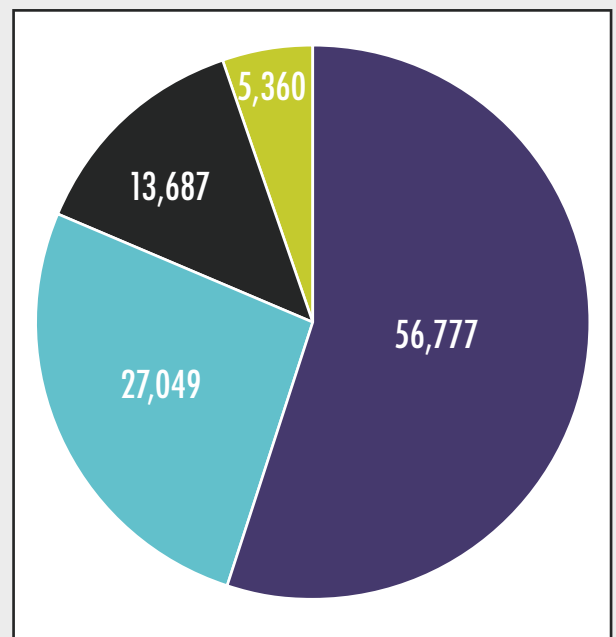
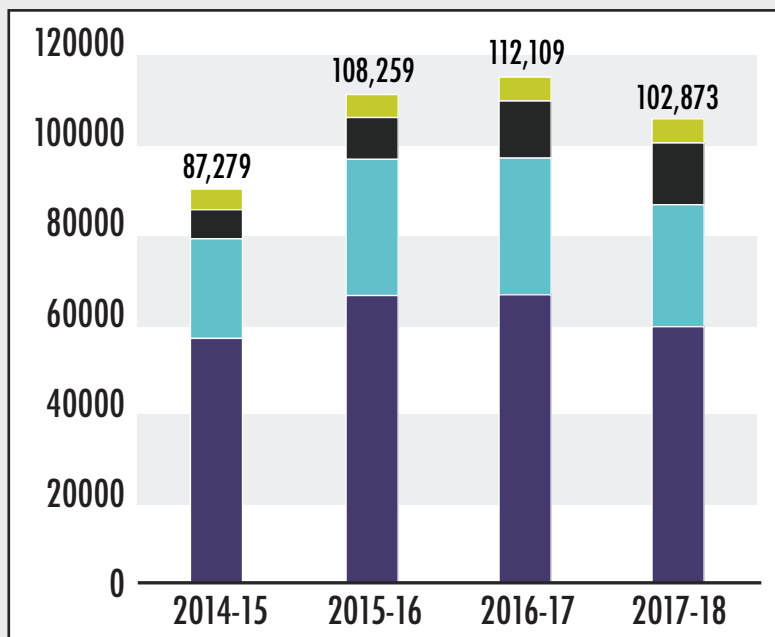


Legal aid applicants who are financially eligible and who are facing a serious legal matter covered by LAO may be issued a certificate to cover the cost of a private bar lawyer.

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 2017-18

Certificates issued by area of law



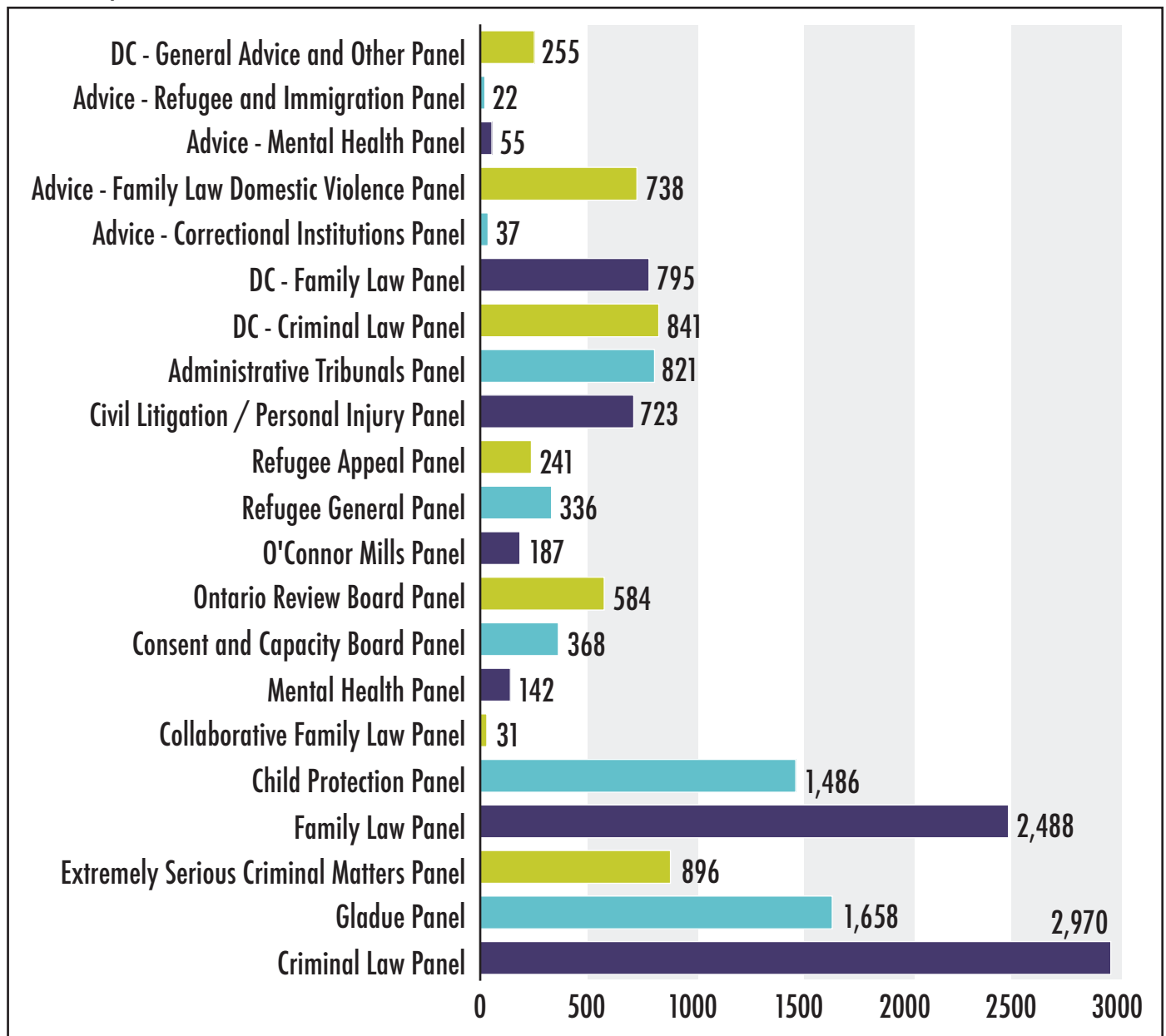
Criminal law
 Family law
 Immigration and Refugee law
 Civil law

Panel management

In order to ensure that LAO clients are receiving high quality legal representation, LAO manages lists of lawyers who are qualified to provide legal aid services in different areas of law. Panel management is a term that encompasses a variety of activities that help to keep this list as up to date as possible. This includes a large number of distinct activities, such as: lawyer empanelment, annual self-reporting, spot audits and panel removal. At the end of 2017-18 there were 5,100 lawyers across Ontario who belonged to at least one of LAO's panels.

Panel management is not the work of a single group within LAO but represents the combined efforts of district (and regional) staff, complaints, audit, policy, investigations and payment services departments.

2017-18 panel members



Panel removal

In some instances, LAO acts to remove lawyers from its panels if it is determined that the standards are not being met. Reasons for removal may include:

- inappropriate relationships with clients
- misrepresenting billings to LAO
- poor quality of service
- failing to abide by LAO's policies, procedures, general terms and conditions or the *Legal Aid Services Act*
- Law Society of Ontario finding of professional misconduct
- Criminal charges and convictions for fraud

Panel management activity	2016-17	2017-18
Removed from panel lists	20	21
Not removed from panel lists	4	0
Admission for panel lists refused	3	4
Total cases completed	27	25

CLINIC LAW SERVICES



LAO is the primary funder of 74 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 funding for 2017-18

(\$000's)	2013-14	2014-15	2015-16	2016-17	2017-18
Specialty clinics	\$ 14,405	\$ 14,949	\$ 16,833	\$ 16,143	\$ 14,673
Southwest	14,219	14,453	15,966	14,640	13,960
Northern	8,106	7,981	8,950	8,300	9,509
Greater Toronto Area	20,488	20,608	25,585	24,427	24,503
Central & East	13,276	13,624	15,217	14,203	14,364
Not allocated to region	-	-	1,074	1,455	1,556
Total	\$ 70,494¹	\$ 71,615²	\$ 83,625³	\$ 79,168⁴	\$ 78,565

1 Clinic funding total does not include expenses paid on behalf of clinics

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

3 Clinic funding total does not include \$1,837K for specialty clinic build-outs

4 Clinic funding total does not include \$1,163K for specialty clinic build-outs

Clinics in dispute resolution

The Clinic Committee of LAO's Board decided to withdraw LAO's funding of the African Canadian Legal Clinic.

In January 2018, the Black Legal Action Centre, a new independent legal clinic, was formed with the mandate of serving the legal needs of Black Ontarians.

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.

Service statistics for 2017-18

Stage I complaints breakdown

Category	2014-15	2015-16	2016-17*	2017-18*
Services provided by lawyers	132	177	1,543	2,659
Duty counsel	23	28	27	22
Legal aid policy	71	97	108	143
Legal aid staff	92	99	89	78
Corporate changes	0	3	1	0
Accessibility	2	1	2	1
Other	0	0	0	6
Total	320	405	1,770	2,909

*Note: Complaints received through a client's request to change counsel are included as of 2016-17

KEY PERFORMANCE INDICATORS



Financial measures

Type of indicator	Measure	Target	Current levels
Financial	Balanced budget	No deficit	\$11.4M annual surplus
	Debt position	Elimination of accumulated deficit	Net deficit of \$18.6M at year end (reduced from \$30.9M in 2016-17)
	Cash flow	\$15M cash balance	Investments, cash and cash equivalents of \$41.9M at year end (increased from \$9.7M in 2016-17)
Administrative efficiency	Admin cost as % of total	11% of total expenditures	10.1%

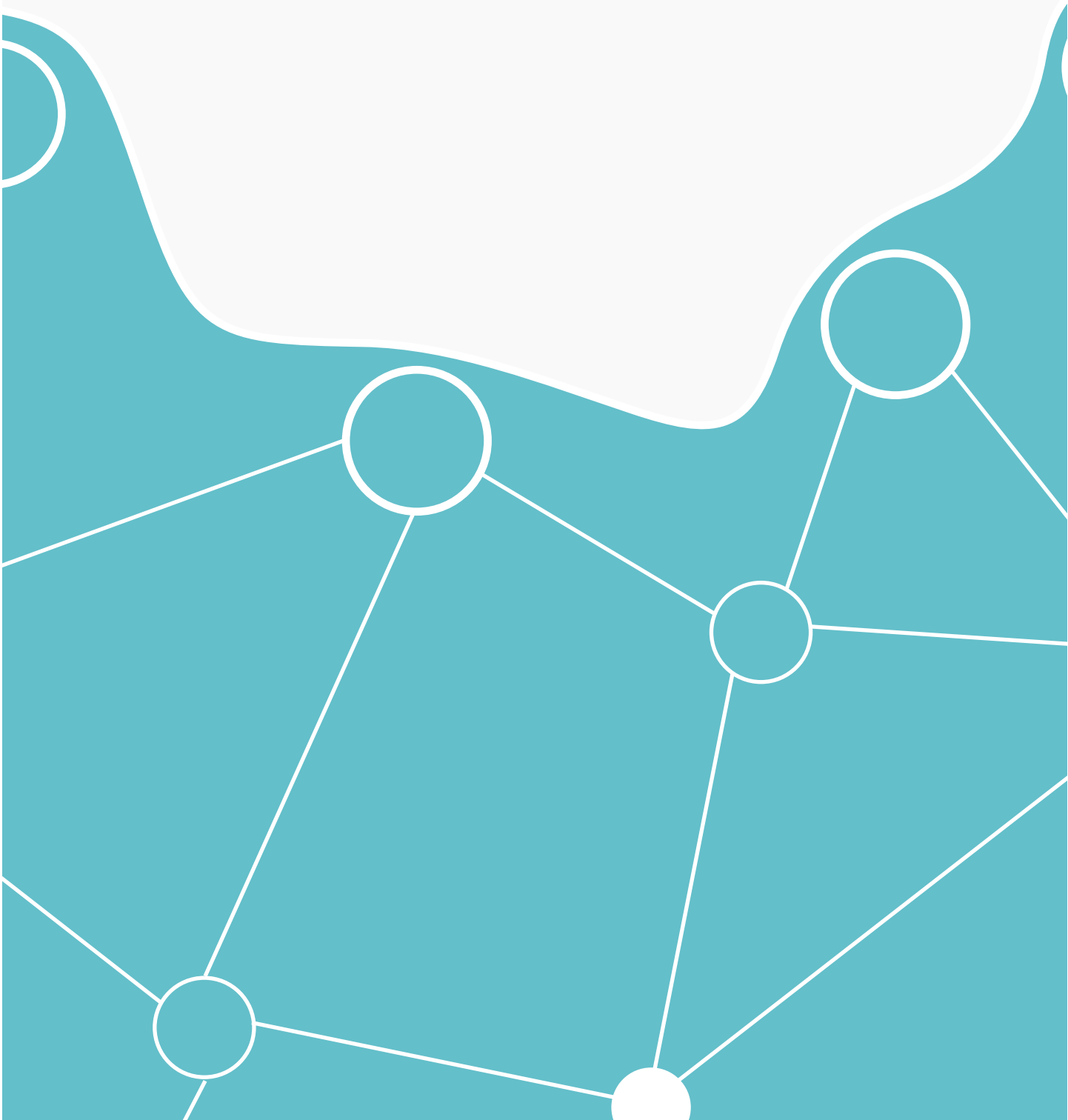
Staff health measures

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.	13%
	Staff management ratio	Meet target of 10 to 1.	8.5 to 1
	Sick days (incidental + short term)	Maintain average sick days below Ontario Public Service level of 10.1	11.8 days (2017 calendar year)
	Employee engagement	Public sector benchmark target of 72%	67%

Client service 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: 46% LSC: 77% In-custody: 64%
	Level 2 % of calls answered within 20 mins	80%	L2: 50%
	Same-day decisions for certificate applications	80%	76%
	% of area office appeals heard within 3 days	80%	51%
	Application acceptance rates for certificates 87%	87%	87%
Lawyer satisfaction	Overall lawyer satisfaction	60%	53% positive
Client satisfaction	Overall client satisfaction	80%	77% positive
	Percentage of clients who would self-represent if not for LAO	Maintain	44%
Access to justice	Number of Ontarians financially eligible for LAO's services	Maintain	1.69 M people (as of Apr. 1, 2018)

MANAGEMENT DISCUSSION AND ANALYSIS



The management discussion and analysis is intended to assist readers in understanding the operating results and financial position of Legal Aid Ontario 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, 2018, prepared in accordance with Canadian public sector accounting standards, and the accompanying notes, which form a part of those statements.

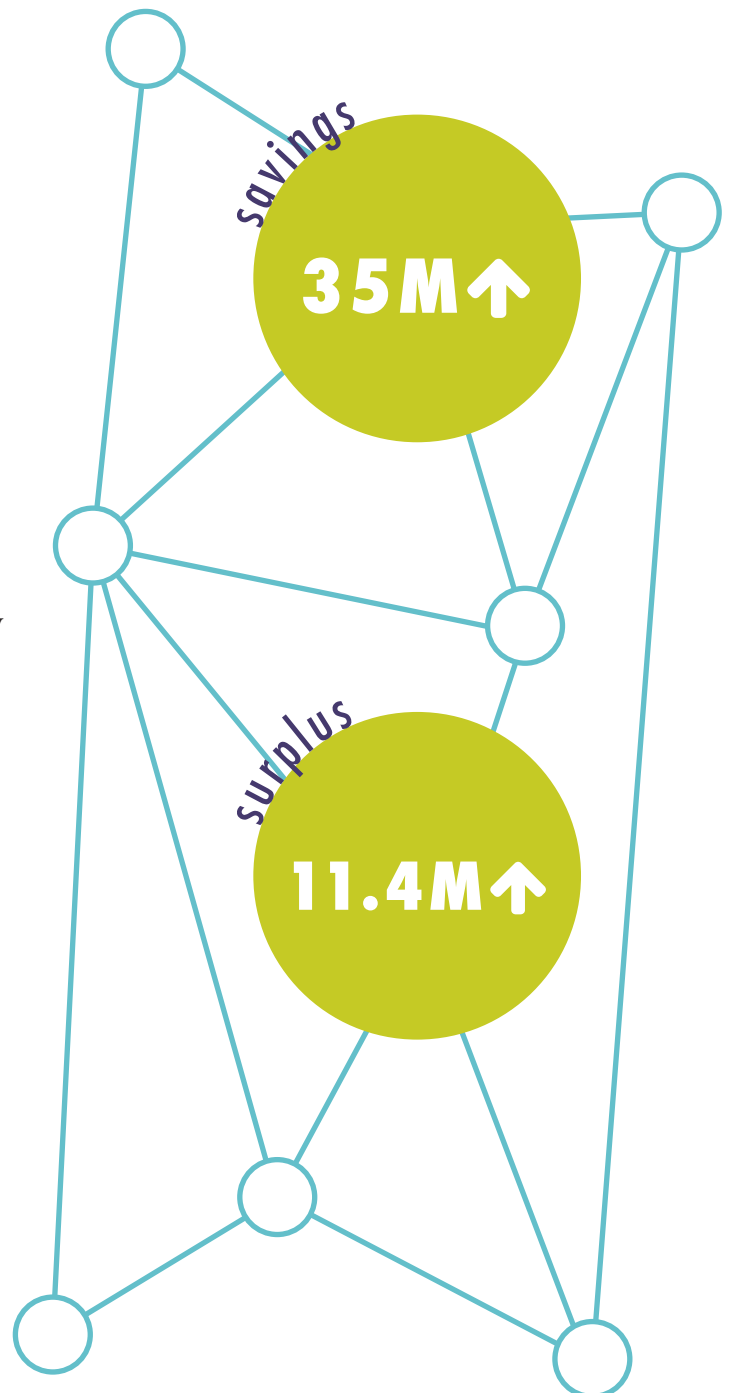
Balanced budget plan

Following two years of substantial deficits (\$13.8M) in 2015/16 and (\$25.4M) in 2016/17, LAO faced a (\$51.6M) deficit in 2017/18.

In response to this financial pressure, LAO developed an aggressive balanced budget plan, vetted by Deloitte, with 14 mitigation initiatives in an attempt to return LAO to a balanced budget within three years. The balanced budget plan contemplated the elimination of expenses and an increase in Immigration & Refugee funding totaling \$35M+ for fiscal year 2017/18. Along with the balanced budget plan, and increases in the Law Foundation funding LAO was able to exceed its savings target of \$35M.

Executive summary of financials

LAO's operating surplus for the period ending March 31, 2018 is \$11.4M; compared to a deficit of (\$25.4M) last fiscal year. LAO's accumulated year-end deficit is (\$18.6M), compared to the start of the year at (\$30.9M) accumulated deficit.



Explanation of significant differences between 2018 and 2017 fiscal years

Summary of revenues

(\$000s)	2018	2017	Increase/ (decrease)	Notes
Government of Ontario	\$ 361,036	\$ 365,563	\$ (4,527)	1
Financial eligibility	66,980	48,810	18,170	2
Law foundation	46,916	29,345	17,571	3
Client contributions	10,742	11,157	(415)	4
Client & other recoveries	1,081	941	140	
Investment income	415	182	233	
Miscellaneous	485	-	485	5
Total revenues	\$ 487,655	\$ 455,998	\$ 31,657	

Notes 1&2

Government funding - **\$13.6M** ↑

(\$000s)	2018	2017	Increase/ (decrease)	Notes
Government of Ontario base funding	\$ 344,549	\$ 344,549	\$ -	
Base funding reduction	-	1,000	(1,000)	A
Contingency reserve income recognition	-	1,400	(1,400)	B
Government of Ontario criminal	3,339	3,419	(80)	C
Government of Ontario pro bono & Innocence Canada	300	575	(275)	C
Government of Ontario bail funding	4,000	500	3,500	C
Government of Ontario New 2013 family funding	-	6,400	(6,400)	D
Government of Ontario Department of Justice	8,848	7,720	1,128	E
Sub-total	361,036	365,563	(4,527)	
Government of Ontario financial eligibility	66,980	48,810	18,170	F
Total MAG contributions	\$ 428,016	\$ 414,373	\$ 13,643	

- A. Base funding reduction: In 2012, LAO's transfer payment was reduced by \$3M. MAG agreed to reinstate this transfer payment reduction through its own budget allocation. In 2016-17, MAG notified LAO that they would no longer continue to provide this funding. After some discussion, in 2016-17 MAG agreed to reduce the reduction from \$3M to \$2M so that LAO would not alter clinic funding. This was a one-time agreement, and was not carried over into 2017-18.
- B. LAO utilized the remaining \$1.4M in its contingency reserve for the unfunded component of tariff increases in 2016-17. There were no funds available in the contingency reserve in 2017-18.
- C. LAO received various additional funding amounts in 2017-18:
- The Ministry of 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.
- D. New 2013 family funding: Fiscal year 2016-17 was the last year for family funding and all deferred revenue was recognized.
- E. Department of Justice: The Federal Department of Justice (DOJ) provided LAO with an additional \$8.9M (\$7.1M in one-time funding and \$1.8M two-year funding as part of I&R funding) in fiscal 2017-18 to offset the additional costs incurred by LAO resulting from the increased refugee demand.

F. Government of Ontario financial eligibility (FE):

Revenues	2017-18	2016-17	Variance
	in millions	in millions	
Certificate Program	\$ 44.5	\$ 31.7	\$ 12.8
Clinics	9.8	9.8	0.0
Staff services	5.9	2.5	3.4
Administrative expenses	6.7	4.8	1.9
Total	\$ 66.9	\$ 48.8	\$ 18.1

- Funding received in 2017-18 was \$18.1M higher than 2016-17, \$12.8M of this increase was attributed to the Certificate Program.
- Expenditures related to FE was \$59.3M which was below the funding received as follows:

Expenditures	2017-18	2016-17	Variance
	in millions	in millions	
Certificate Program	\$ 39.7	\$ 46.4	\$ (6.7)
Clinics	9.9	7.6	2.3
Staff services	3.0	3.0	0.0
Administrative expenses	6.7	4.8	1.9
Total	\$ 59.3	\$ 61.8	\$ (2.5)

- The FE surplus of \$7.6M reduced the FE accumulated deficit from (\$18.6M) to (11.0M).

Note 3

Law Foundation of Ontario - **\$17.6M** ↑

In 2017-18, Law Foundation of Ontario revenues increased by \$17.6M from \$29.3M to \$46.9M this year primarily because:

- The Law Foundation mixed-trust account balances continued to be high and finished the year with a balance of \$5.1B, due to

the boom in the real estate market which had a positive impact on LFO's revenues.

- In 2017/18, the Bank of Canada announced three interest rate hikes.

Note 4

Client contribution - **\$0.4M** ↓

Client Contribution revenue decreased by \$0.4M, from \$11.1M to \$10.7M this year, which was a nominal change year over year.

Note 5

Miscellaneous - **\$0.5M** ↑

Miscellaneous revenue has increased by \$0.5M this year, of which \$0.4M is attributed to LAO stale-dated cheques being recognized as revenue in 2017-18, and \$0.1M from the DOJ's administrative fee.

Expenditures

Summary of Expenditures

(\$000s)	2018	2017	Increase/ (decrease)	Notes
Certificate Program	\$ 232,370	\$ 231,788	\$ 582	1
Staff Office	20,393	22,568	(2,175)	2
Sub-total	252,763	254,356	(1,593)	
Duty counsel	56,081	56,246	(165)	
Clinic Program	85,821	87,114	(1,293)	3
Service innovation projects	2,152	2,205	(53)	
Program support	25,928	28,792	(2,864)	4
Service provider support	6,421	6,690	(269)	
Administrative and other costs	47,042	46,041	1,001	5
Total expenditures	\$ 476,208	\$ 481,444	\$ (5,236)	

Note 1

Certificate Program - **\$0.6M** ↑

- The \$0.6M increase is broken down by area of law as follows:

(\$000s)	2018	2017	Increase/(decrease)	Increase/(decrease)
Criminal - BCM	\$ 29,924	\$ 29,501	\$ 423	1.4%
Criminal - non-BCM	94,411	95,907	(1,496)	(1.6%)
Family	75,545	76,280	(735)	(1.0%)
Immigration/refugee	25,128	22,838	2,290	10.0%
Civil	7,362	7,262	100	1.4%
Total	\$ 232,370	\$ 231,788	\$ 582	0.3%

- The \$0.6M is broken down as follows:
 - \$0.2M related to regular certificates and
 - an increase of \$0.4M in the Big Case Management (BCM) certificate program costs
- The \$0.2M increase in the regular certificate program is mainly attributed to:
 - The \$2.3M increase in Immigration and Refugee certificate expenses. The increase can be attributed to the rise in demand for immigration and refugee services, a trend that began in 2016-17 and is forecast to continue into the future years.
 - This increase was significantly offset by the favourable variances in Criminal - non-BCM, due to the impact of the suspension of LET certificates policy in December 2016 and a reduction in family certificates issued.
- The \$0.4M increase in the Big Case Management (BCM) Program is broken down as follows:

(\$000s)	2018	2017	Increase/(decrease)
Certificate costs - BCM	\$ 26,400	\$ 25,595	\$ 805
Certificate costs - mid-case	2,085	2,262	(177)
Certificate costs - GATCC	644	625	19
Certificate costs - MCMO	795	1,020	(225)
Total	\$ 29,924	\$ 29,502	\$ 422

- Comparison of cost components with the same period last year indicates that BCM certificate costs have increased by \$0.8M.

Note 2

Staff office - \$2.2M ↓

Staff office expenditures have decreased from \$22.6M to \$20.4M. The decrease is mainly attributed to vacancy and administrative saving initiatives pursued under the Balanced Budget Plan in 2017-18.

Note 3

Clinic Program - \$1.3M ↓

Expenditures on the Clinic Program (which includes the Student Legal Aid Services Societies) totaled \$85.8M in 2017-18, compared with \$87.1M in 2016-17, a decrease of \$1.3M. Overall expenditures on Clinic Law Services, including CIMS and IT expenditures, increased by \$2.3M over 2016-17 levels, not including the one-time expenditures in 2016-17 on leaseholds for the specialty clinic co-location. Taking into account the leasehold expenditures in 2016-17 (\$1.2M), the overall increase was \$1.1M. This was offset by increased recovery of clinic surpluses of \$1.4M, and a decrease in SLASS expenditures of \$0.9M due to end of funding for family law services.

Note 4

Program support - \$2.9M ↓

Program support includes regional operations, district offices and the Client and Lawyer Support Centre. The program has decreased from \$28.8M to \$25.9M as a result of:

- \$0.4M reduction in regional operations expenses
- \$0.9M decrease in district/area offices
- \$1.6M decrease in Client and Lawyer Support Center

The above noted decreases are mainly attributed to vacancy and administrative savings.

Note 5

Administration and other costs - \$1M ↑

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

- A decrease of \$2.5M mainly attributed to a salary freeze for 2017-18, and vacancy and administrative saving initiatives pursued under the Balanced Budget Plan.
- The decrease in amortization expense is attributed to the new capitalization policy which changed the capital threshold to \$2,000 and LAO holding off on IT capital expenditure for 2017-18.
- An increase of \$4M in bad debts is mainly attributed to a 100% allowance on the direction and assignments receivables.

(\$000s)	2018	2017	Increase/ (decrease)
Provincial office	\$ 36,355	\$ 38,804	\$ (2,449)
Amortization expense	2,700	3,249	(549)
Bad debt expense	7,987	3,988	3,999
Total expenditures	\$ 47,042	\$ 46,041	\$ 1,001

BALANCE SHEET

Explanations of significant changes in balance sheet:

	2018 (\$000's)	2017 (\$000's)	Increase/(decrease) (\$000's)	Notes
Assets				
Cash and cash equivalents	21,722	4,702	17,020	
Short-term investments	20,196	5,028	15,168	
Total cash and investments	41,918	9,730	32,188	1
Other receivables	13,806	15,989	(2,183)	2
Capital assets	3,619	4,486	(867)	3
Liabilities				
Accounts payable and accrued liabilities	104,291	91,274	13,017	4
Accumulated deficit	(18,583)	(30,897)	12,314	5

Note 1

Increase in cash and short-term investments of \$32.2M resulted mainly from a \$13M increase in accounts payable, \$11.4M surplus in 2017-18 and a reduction in accounts receivable by \$4.6M.

Note 2

The decrease in other receivables relates to lower receivables in 2017-18 versus 2016-17, mainly attributed to lower HST receivables - \$8.6M was outstanding in 2016-17 compared to \$3.1M in 2017-18.

Note 3

The decrease in capital assets is attributed to two main reasons:

- There was a reduction in capital spending in 2017-18 due to LAO's plan of achieving a balanced budget.
- The capital threshold under the capital expenditure policy was increased from \$500 to \$2,000.

Note 4

The increase in accounts payables relates to:

- An increase in Work In Progress (WIP), \$68.9M in 2017-18 compared to \$60.8M in 2016-17. The increase in WIP has resulted mainly from the increased certificate costs attributed to the Financial Eligibility Program.

Note 5

The accumulated deficit has decreased by \$12.3M mainly due to the operating surplus of \$11.4M in 2017-18, compared to the operating deficit of (\$25.4M) in 2016-17.

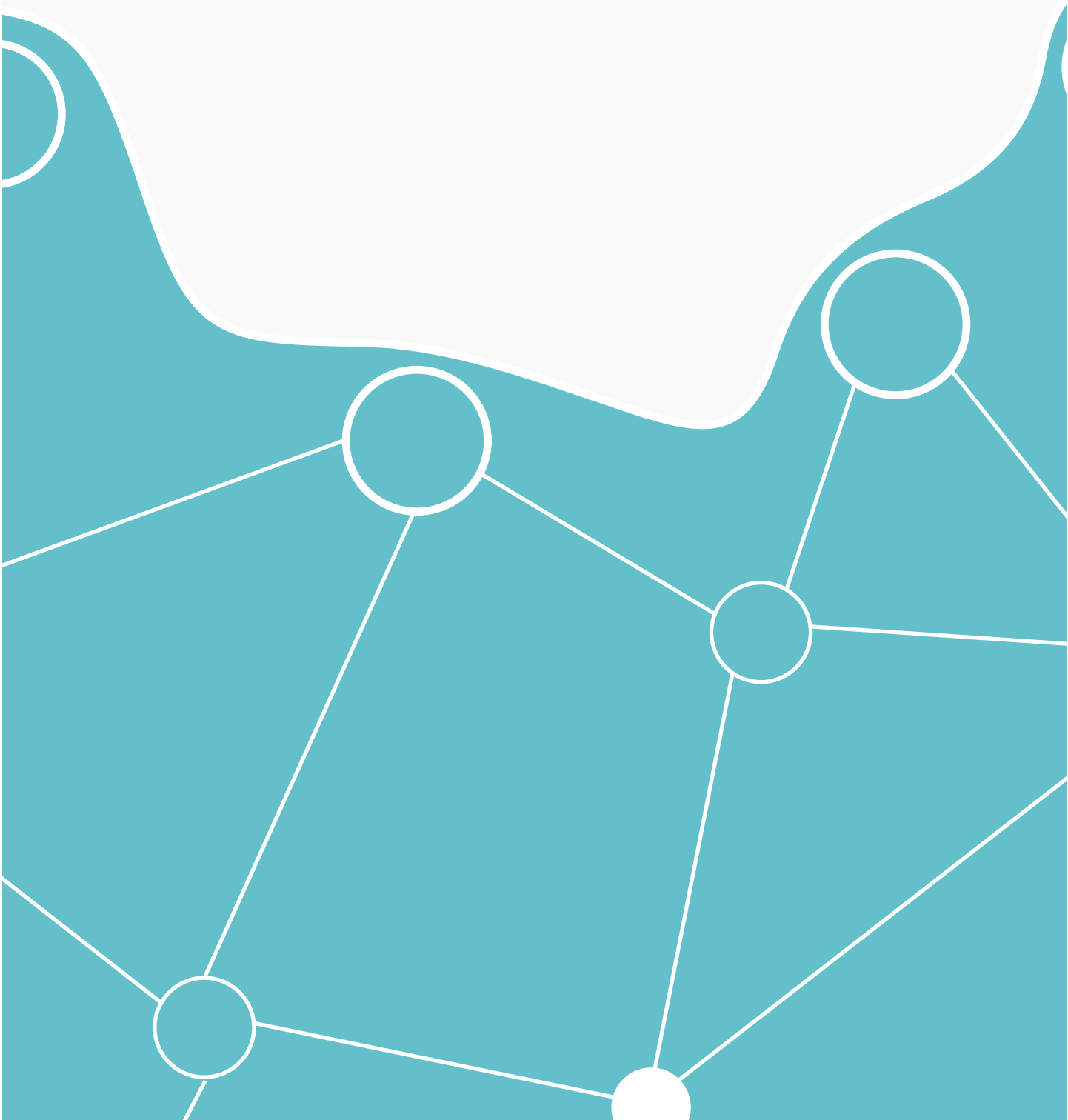
Net assets

(\$000s)	2018	2017	Increase/ (decrease)
Net accumulated deficit	\$ (30,897)	\$ (11,367)	\$ (19,530)
Prior period adjustment	-	(661)	661
Operating surplus/ (deficit)	11,447	(25,446)	36,893
Sub-total	(19,450)	(37,474)	18,024
Change in capital asset	867	2,496	(1,629)
Transferred from internally restricted reserves	-	4,081	(4,081)
Sub-total	(18,583)	(30,897)	12,314
Invested in capital	3,619	4,486	(867)
Total	\$ (14,964)	\$ (26,411)	\$ 11,447

CONCLUSION

LAO has just finished an exceptional year from a financial perspective with an \$11.4M surplus, and should continue to have opportunities to invest in client service in 2018-19. The year-end surplus represents a significant positive improvement in LAO's fiscal situation. The surplus this year will allow LAO to begin rebuilding its balance sheet which began the year with a (\$30.9M) accumulated deficit.

FINANCIAL STATEMENTS



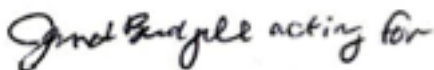
MANAGEMENT'S STATEMENT OF RESPONSIBILITY

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 19, 2018



Louis Dimitracopoulos
Chief Administrative Officer
and Vice President
June 19, 2018



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

Independent Auditor's Report

To Legal Aid Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2018 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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Toronto, Ontario
June 19, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

BALANCE SHEET

ASSETS

Current Assets	March 31, 2018 (\$000's)	March 31, 2017 (\$000's)
Cash and cash equivalents	\$ 21,722	\$ 4,702
Investments (Note 5)	20,196	5,028
Prepaid expenses and other assets	2,870	2,489
Client accounts receivable (Note 4a)	11,905	14,298
Other receivables (Note 4b)	13,806	15,989
	70,499	42,506
Long-term client accounts receivable (Note 4a)	17,445	20,124
Capital net assets (Note 6)	3,619	4,486
TOTAL ASSETS	\$ 91,563	\$ 67,116

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 104,291	\$ 91,274
Long Term Liabilities		
Accrued pension liability (Notes 11 and 14)	2,236	2,253
Net Assets (Deficit)		
Net accumulated deficit (Note 14)	(18,583)	(30,897)
Invested capital assets (Note 8)	3,619	4,486
	(14,964)	(26,411)
TOTAL LIABILITIES AND NET ASSETS	\$ 91,563	\$ 67,116



On behalf of the Board: _____ Chair

STATEMENT OF OPERATIONS

For the year ended March 31

REVENUE

	March 31, 2018 (\$000's)	March 31, 2017 (\$000's) (Note 14)
Total government funding (Notes 1(a), 1(b) and (2))	\$ 428,016	\$ 414,373
The Law Foundation of Ontario	46,916	29,345
Client contributions	10,742	11,157
Client and other recoveries	1,081	941
Investment income (Note 5)	415	182
Miscellaneous income	485	-
TOTAL REVENUE	\$ 487,655	\$ 455,998

EXPENSES (Note 3)

Client Programs

Certificate Program		
Criminal - Big cases	\$ 29,924	\$ 29,501
Criminal - others	94,411	95,907
Sub-total	124,335	125,408
Family	75,545	76,280
Immigration and refugee	25,128	22,838
Other civil	7,362	7,262
Sub-total	232,370	231,788
Settlement conferences	222	232
Family law offices	6,107	6,955
Integrated law offices	4,314	4,120
Criminal law offices	2,248	3,051
Refugee law office	4,246	4,349
Articling students	1,355	1,976
Nishnawbe-Aski Legal Services Corporation	1,901	1,885
Certificates	252,763	254,356

EXPENSES (Note 3) (continued)

Duty Counsel Program

Duty counsel fees and disbursements	53,974	53,909
Expanded duty counsel	2,107	2,337
Sub-total	56,081	56,246

Clinic Program and Special Services

Clinic law services (Note 9)	80,113	80,331
Student legal aid services societies	4,796	5,675
Clinic information management project	912	1,108
Sub-total	85,821	87,114

Service Innovation Projects

Other	2,152	2,205
Sub-total	2,152	2,205

Program Support

Regional operations	2,656	3,061
District/Area office services	14,349	15,237
Client and legal service centre	8,923	10,494
Sub-total	25,928	28,792
TOTAL CLIENT PROGRAMS	422,745	428,713

Service Provider Support

Research facilities	3,767	3,857
Lawyers' services and payments	2,654	2,833
Sub-total	6,421	6,690

Administrative and Other Costs

Provincial office	36,355	38,804
Amortization	2,700	3,249
Bad debts	7,987	3,988
Sub-total	47,042	46,041
TOTAL EXPENSES	476,208	481,444
Excess (deficiency) of revenues over expenses for the year	\$ 11,447	\$ (25,446)

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)

(\$000's)	Net Assets (Note 8)	Accumulated deficit	2018 Total	2017 Total (Note 14)
Net assets (deficit), beginning of year, as previously reported	\$ 4,486	\$ (30,897)	\$ (26,411)	\$ (304)
Prior period adjustment	-	-	-	(661)
Net Assets year, restated	\$ 4,486	\$ (30,897)	\$ (26,411)	\$ (965)
Net change in capital assets	(867)	867	-	-
Excess of revenues over expenses for the year	-	11,447	11,447	(25,446)
Net assets (deficit), end of year	\$ 3,619	\$ (18,583)	\$ (14,964)	\$ (26,411)

STATEMENT OF CASH FLOWS

For the year ended March 31

Cash provided by (used in)

	2018 (\$000's)	2017 (\$000's) (note 14)
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ 11,447	\$ (25,446)
Non-cash operating activity:		
Amortization of capital assets	2,700	3,249
Changes in non-cash balances:		
Accrued pension liability	(17)	(21)
Accrued interest on investments	(168)	99
Prepaid expenses and other assets	(381)	141
Client accounts receivable	2,393	1,411
Other receivables	2,183	(4,877)
Long-term client accounts receivable	2,679	871
Accounts payable and accrued liabilities	13,017	6,042
Deferred contributions	-	(5,477)
Contingency Reserve	-	(1,400)
	\$ 33,853	\$ (25,408)
INVESTING ACTIVITIES		
Redemption of Investment	\$ 5,000	\$ 35,500
Purchase of Investment	(20,000)	(10,000)
	\$ (15,000)	\$ 25,500
CAPITAL ACTIVITIES		
Purchase of capital assets	\$ (1,833)	\$ (753)
Net increase (decrease) in cash and cash equivalents during the year	17,020	(661)
Cash and cash equivalents, beginning of year	4,702	5,363
Cash and cash equivalents, end of year	\$ 21,722	\$ 4,702

NOTES TO FINANCIAL STATEMENTS

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 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 costs 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 - 3-7 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 the 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.

NOTES TO FINANCIAL STATEMENTS

Note 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:

	2018 (\$000's)	2017 (\$000's)
General contributions	\$ 361,036	\$ 365,563
Financial Eligibility (Note 2)	66,980	48,810
Total contributions	\$ 428,016	\$ 414,373

- b. Included in contributions from the Province of Ontario for the year ended March 31, 2018 is an amount of \$62.6 million (2017 - \$60.4 million) representing an allocation of funds by the Federal Government to the Province in connection with criminal law (\$46.7 million), under the *Youth Criminal Justice Act*; Immigration and Refugee expenditures (\$15.9 million), these amounts are for unique pressures based on 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.

Note 2

Financial Eligibility

Starting in 2014, the Government of Ontario included in the provincial budget special funding amounts to provide Ontarians with greater access to justice. LAO was therefore able to increase the Financial Eligibility threshold by 6% each year. The first increase was on November 1, 2014; since then, there have been increases on April 1, of each year. Further increases are scheduled annually to 2020. LAO received \$67.0 million (note 1(a)) from the Province of Ontario in 2017-18 (2017- \$48.8 million) and the Province has committed to increase funding to \$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 the number of clients receiving access to justice and ensure that the Financial Eligibility funding is fully utilized through the certificate program and the new clinic and staff programs.

For the past 3 years, expenses incurred exceeded contributions received: these differences in revenue and expenses will offset each other over the life of the program. On average it takes three years for the full cost on a certificate to be expensed. As at March 31, 2018, the deficiency was \$10.9 million (2017- \$18.6 million). For the current year, LAO incurred expenses of \$59.3 million (2017- \$61.8 million).

Since the inception of the program, the cumulative receipts were \$153.7 million, while cumulative expenses were \$164.6 million.

Note 3

Expenses by Object

The table below provides totals for each expense category:

	2018 (\$000's)	2017 (\$000's) (Note 14)
Certificates	\$ 230,768	\$ 229,943
Duty Counsel per diem	22,030	22,193
Clinic funding	84,230	87,629
Other transfer payments	1,901	1,885
Salaries and benefits	102,712	110,069
Leases	4,912	4,842
Bad debts, depreciation and other expenses	29,655	24,883
	\$ 476,208	\$ 481,444

Expenses by object summarises the total salaries, benefits and administrative amounts. The Statement of Operations, shows program funding which includes salaries, benefits and other expenses.

Note 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 certificates, to receive free legal services. These applicants receive the assistance they need by entering into a contribution agreement, where 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.

March 31, 2018 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 61,382	\$ 144	\$ 470	\$ 111	\$ 60,657
Less: impairment allowance	(32,032)	(57)	(189)	(54)	(31,732)
	\$ 29,350	\$ 87	\$ 281	\$ 57	\$ 28,925

March 31, 2017 (\$000's)	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)
	\$ 34,422	\$ 20	\$ 92	\$ 60	\$ 34,250

Represented by:	2018 (\$000's)	2017 (\$000's)
Current (non-lien) client account receivable	\$ 11,905	\$ 14,298
Long-term (lien) client accounts receivable	17,445	20,124
	\$ 29,350	\$ 34,422

Accounts Receivable (continued)

b. Other receivables

Other receivables are comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency for Harmonized Sales Taxes (HST) rebate, and both the Federal Department of Justice ("DOJ" and MAG for protocol cases.

March 31, 2018 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 3,754	\$ 1,727	\$ -	\$ -	\$ 2,027
DOJ protocol cases	363	-	-	363	-
HST receivable	3,073	3,073	-	-	-
The Law Foundation of Ontario	6,300	6,300	-	-	-
Other receivables	316	-	-	-	316
Total other receivables	\$ 13,806	\$ 11,100	\$ -	\$ 363	\$ 2,343

March 31, 2017 (\$000's)	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 other receivables	\$ 15,989	\$ 10,455	\$ 2,596	\$ 2,748	\$ 190

Note 5

Investments

	2018 (000's)	2017 (000's)
Guaranteed investment certificates	\$ 20,000	\$ 5,000
Accrued interest	196	28
	\$ 20,196	\$ 5,028

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, 2018 are in compliance with the statutory requirements. Short-term investments held of \$20.0 million (2017 - \$5.0 million) are invested at prime less 1.9%.

The Corporation earned investment income of \$0.4 million in 2018 (2017 - \$0.2 million).

Note 6

Capital Assets

	2018 (\$000's)		2017 (\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 114	\$ 91	\$ 131	\$ 87
Computer hardware	3,723	2,629	4,741	3,007
Leasehold improvements	8,019	5,573	6,903	4,660
Enterprise-wide software	17,938	17,882	17,910	17,445
	29,794	26,175	29,685	25,199
Net book value		\$ 3,619		\$ 4,486

Note 7

Accounts Payable and Accrued Liabilities

	2018 (\$000's)	2017 (\$000's)
Legal accounts		
Accruals for billings received but not paid	\$ 22,233	\$ 20,775
Estimate of work performed but not yet billed	68,900	60,783
Rent inducements	1,613	336
Trade and other payables	8,644	6,781
Vacation pay	2,901	2,599
	\$ 104,291	\$ 91,274

Note 8

Net Assets

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:

	2018 (\$000's)	2017 (\$000's)
Balance, beginning of year	\$ 4,486	\$ 6,982
Purchase of capital assets	1,833	753
Amortization	(2,700)	(3,249)
Balance, end of year	\$ 3,619	\$ 4,486

Note 9

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.

	2018 (\$000's)	2017 (\$000's)
Payments to and on behalf of clinics	\$ 80,113	\$ 80,331

Note 10

Commitments and Contingencies

- 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, 2018, management estimates certificates in the amount of \$64.8 million (2017 - \$58.3 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2018 over and above the billings received to date and management's estimate of work performed but not yet billed.
- 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:

	Base Rent (\$000's)	Operating Costs (\$000's)	Vehicle & Equipment (\$000's)	Total (\$000's)
2019	\$ 1,491	\$ 2,525	\$ 68	\$ 4,084
2020	1,963	2,421	58	4,442
2021	1,614	2,167	54	3,835
2022	1,536	2,167	34	3,737
2023	1,426	2,053	20	3,499
Thereafter	8,252	11,179	-	19,431
	\$ 16,282	\$ 22,512	\$ 234	\$ 39,028

Commitments and Contingencies (continued)

- 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 \$1.0 million (2017 - \$0.3 million) and made the necessary provision. Some of those 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.

Note 11

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 970 (2017 - 982) employees. The Corporation's pension expense for the year relating to this component of the plan was \$7.1 million (2017 - \$7.6 million). LAO has a transition plan to have all employees contribute nine percent of the employees' pensionable earnings. Currently, the existing employee contribution rate varies between eight and nine percent depending on the contribution of the employees to the component of the plan. By 2019 it is anticipated that all employees' contribution will be 9%.

Defined Benefit Component

The defined benefit component of the plan covers a total of 16 employees; there are 3 active participants (2017 - 3) and 13 retirees (2017 - 13). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees, which is three years as at March 31, 2018 (2017 - 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 last valuation was completed in January 1, 2017, the next actuarial valuation of the Plan for funding purposes will be prepared as at January 1, 2020. 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.

	2018 (\$000's)	2017 (\$000's)
Accrued benefit obligation	\$ 3,609	\$ 3,576
Fund assets at market value	4,332	4,319
Funded status - plan surplus	723	743
Unamortized net actuarial loss (gain)	(43)	(137)
Net Pension asset	\$ 680	\$ 606
Valuation allowance, beginning of year	(606)	(661)
(Increase) decrease valuation allowance (Note 14)	(74)	55
Valuation allowance, end of year	\$ (680)	\$ (606)

Pensions (continued)

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

	2018 (\$000's)	2017 (\$000's)
Current period benefit cost	\$ 26	\$ 26
Amortization of actuarial losses (gains)	(20)	75
Interest revenue	(39)	(22)
	\$ (33)	\$ 79

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

	2018	2017
Accrued benefit obligation		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%
Benefit Expense		
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%

Other information about the defined benefit plan is as follows:

	2018 (\$000's)	2017 (\$000's)
Employer contributions	\$ 40	\$ 25
Employee contributions	10	10
Benefits paid	188	187

Supplementary Executive Benefit Plan

The Board of the Corporation 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, 2018.

Pensions (continued)

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

	2018	2017
Discount rate	4.00%	4.00%
Inflation	1.50%	1.50%

The Corporation's pension expense for the year for this plan was \$0.10 million (2017 - \$0.10 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2018 was \$2.24 million (2017 - \$2.25 million). During the year, the Corporation made \$0.10 million (2017 - \$0.10 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

Accrued Pension (Liability)	2018 (\$000's)	2017 (\$000's)
Supplementary Executive Benefit Plan	\$ (2,236)	\$ (2,253)

Note 12

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.

	2018 (\$000's)	2017 (\$000's)
Balance, beginning of year	\$ -	\$ 1,400
Amounts recognized as revenue	-	(1,400)
Balance, end of year	\$ -	\$ -

Note 13

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 impairment (note 4).

- **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 \$20.0 million (2017 - \$5.0 million) invested in Guaranteed Investment Certificates (GIC), at rates of prime minus 1.9% with maturity dates up to December 2018.

Note 14

Prior Year Adjustment

During the year, it was determined that a full valuation allowance is required against the defined benefit pension plan in accordance with public sector accounting standards. Consequently, the prior period financial statements were corrected to reflect the full valuation allowance. As a result, opening net assets as at April 1, 2016 were decreased by six hundred sixty-one thousand, deficiency of revenues over expenses for the year ended March 31, 2017 was decreased by fifty-five thousand, net assets as at March 31, 2017 were decreased and the accrued pension liability was increased as at March 31, 2017 by six hundred six thousand.

Note 15

Comparative Figures

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