

LEGAL AID ONTARIO
AUDITED
FINANCIAL
STATEMENTS
2021 - 2022



LEGAL AID ONTARIO

AIDE JURIDIQUE ONTARIO

**Legal Aid Ontario
Financial Statements
For the year ended March 31, 2022**

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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

July 6, 2022



Jennifer Ankrett
Chief Administrative Officer
and Vice President

July 6, 2022



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

INDEPENDENT AUDITOR'S REPORT

To Legal Aid Ontario

Opinion

I have audited the financial statements of Legal Aid Ontario (LAO), which comprise the balance sheet as at March 31, 2022, and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LAO as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of LAO in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the LAO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless LAO either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing LAO's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 LAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LAO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause LAO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
July 6, 2022


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

Legal Aid Ontario

Balance Sheet

	March 31, 2022 (\$000's)	March 31, 2021 (\$000's)
<hr/>		
ASSETS		
Current Assets		
Cash	\$ 52,529	\$ 34,093
Investments (Note 4)	51	25,159
Prepaid expenses and other assets	2,578	2,728
Client accounts receivable, net of allowance (Note 3(a))	5,160	8,340
Other receivables (Note 3(b))	<u>14,420</u>	<u>11,161</u>
	74,738	81,481
Long-term client accounts receivable, net of allowance (Note 3(a))	15,946	17,622
Capital assets (Note 5)	<u>6,317</u>	<u>2,347</u>
TOTAL ASSETS	<u>\$ 97,001</u>	<u>\$ 101,450</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 99,412	\$ 96,230
Deferred capital contributions (Note 7)	<u>6,173</u>	<u>-</u>
	<u>105,585</u>	<u>96,230</u>
Long-Term Liabilities		
Accrued pension liability (Note 11)	<u>2,772</u>	<u>2,284</u>
Net Assets (Deficit)		
Net Accumulated (Deficit) Surplus	(17,673)	589
Invested in capital assets (Note 8)	<u>6,317</u>	<u>2,347</u>
	<u>(11,356)</u>	<u>2,936</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 97,001</u>	<u>\$ 101,450</u>



Steve Pengelly, Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31	2022 (\$000's)	2021 (\$000's)
REVENUE		
Government funding (Notes 1(a, b and c))	\$ 380,749	\$ 353,535
The Law Foundation of Ontario funding	44,585	25,454
Client contributions	5,339	5,195
Client and other recoveries	2,046	1,646
Investment income (Note 4)	154	308
Miscellaneous income	<u>888</u>	<u>568</u>
TOTAL REVENUE	\$ 433,761	\$ 386,706
EXPENSES (Note 2)		
Client Programs		
Certificate Program		
Criminal - Big cases	\$ 23,002	\$ 17,452
Criminal - others	<u>76,599</u>	<u>61,686</u>
Sub-total	99,601	79,138
Family	66,469	54,563
Immigration and refugee	21,130	16,382
Other civil	<u>9,159</u>	<u>8,495</u>
Sub-total	196,359	158,578
Settlement conferences	197	126
Family law offices	5,706	5,423
Integrated law offices	4,291	4,441
Criminal law offices	3,276	3,331
Refugee law office	3,747	3,299
Articling students	-	162
Nishnawbe-Aski Legal Services Corporation	<u>2,295</u>	<u>2,018</u>
Certificates	<u>215,871</u>	<u>177,378</u>
Duty Counsel Program		
Duty counsel fees and disbursements	54,455	46,298
Expanded duty counsel	<u>3,232</u>	<u>2,943</u>
Sub-total	<u>57,687</u>	<u>49,241</u>
Clinic Program and Special Services		
Clinic law services (Note 9)	91,323	88,803
Student legal aid services societies	5,403	5,183
Clinic information management project	<u>1,056</u>	<u>877</u>
Sub-total	<u>97,782</u>	<u>94,863</u>
Service Innovation Projects		
Other	<u>\$ 2,103</u>	<u>\$ 2,103</u>

Legal Aid Ontario Statement of Operations

For the year ended March 31	2022 (\$000's)	2021 (\$000's)
EXPENSES (continued)		
Program Support		
Regional operations	\$ 2,314	\$ 1,879
District/Area office services	12,275	14,033
Client and legal service centre	<u>12,307</u>	<u>10,949</u>
Sub-total	<u>26,896</u>	<u>26,861</u>
TOTAL CLIENT PROGRAMS	<u>400,339</u>	<u>350,446</u>
Service Provider Support		
Research facilities	3,426	3,127
Lawyers' services and payments	<u>4,856</u>	<u>4,829</u>
Sub-total	<u>8,282</u>	<u>7,956</u>
Administrative and Other Costs		
Provincial office	34,645	34,946
Amortization	1,531	893
Bad debts	<u>3,256</u>	<u>2,114</u>
Sub-total	<u>39,432</u>	<u>37,953</u>
TOTAL EXPENSES	<u>448,053</u>	<u>396,355</u>
Excess of expenses over revenues for the year	<u>\$ (14,292)</u>	<u>\$ (9,649)</u>

Statement of Changes in Net Assets (Deficit)

For the year ended March 31,

	Invested Capital Assets (Note 8)	Accumulated Surplus	2022 Total	2021 Total
(\$000's)				
Net assets, beginning of year	\$ 2,347	\$ 589	\$ 2,936	\$ 12,585
Net change in capital assets	3,970	(3,970)	-	-
Excess of expenses over revenues for the year	-	(14,292)	(14,292)	(9,649)
Net assets (deficit), end of year	\$ <u>6,317</u>	\$ <u>(17,673)</u>	\$ <u>(11,356)</u>	\$ <u>2,936</u>

Legal Aid Ontario

Statement of Cash Flows

For the year ended March 31	2022 (\$000's)	2021 (\$000's)
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of expenses over revenues for the year	\$ (14,292)	\$ (9,649)
Non-cash operating activity:		
Amortization of capital assets	1,531	893
Amortization of deferred capital contributions	(608)	-
Changes in non-cash balances:		
Accrued pension liability	488	(5)
Accrued interest on investments	108	70
Prepaid expenses and other assets	150	(657)
Client accounts receivable	3,180	727
Other receivables	(3,259)	3,282
Long-term client accounts receivable	1,676	1,265
Accounts payable and accrued liabilities	<u>3,182</u>	<u>(3,487)</u>
	<u>(7,844)</u>	<u>(7,561)</u>
INVESTING ACTIVITIES		
Redemption of Investment	25,000	10,000
Purchase of Investment	-	(10,000)
Deferred capital contributions	<u>6,781</u>	<u>-</u>
	<u>31,781</u>	<u>-</u>
CAPITAL ACTIVITY		
Purchase of capital assets	<u>(5,501)</u>	<u>(1,073)</u>
Net increase (decrease) in cash during the year	18,436	(8,634)
Cash, beginning of year	<u>34,093</u>	<u>42,727</u>
Cash, end of year	\$ <u>52,529</u>	\$ <u>34,093</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

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). In October 2021, the new *Legal Aid Services Act, 2020* was proclaimed and currently sets out the legal authority of Legal Aid Ontario.

The *Legal Aid Services Act, 2020* establishes the following mandate for the Corporation:

- Establish and administer a flexible and sustainable system for providing legal aid services to individuals in Ontario
- Establish policies and priorities for the provision of legal aid services based on its financial resources
- Facilitate co-ordination among the different legal aid services that are provided and the manners in which they are provided
- Monitor and supervise the provision of legal aid services in Ontario
- Advise the Minister on all aspects of legal aid services in Ontario including any features of the justice system that affect or may affect the demand for or quality of legal aid services

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 Ontario, it is accountable to the Government of Ontario, 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 including 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

The Corporation's financial instruments consist of cash, short-term investments, client accounts receivable, other receivables, and accounts payable and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition. The Corporation's financial instruments are subsequently measured as follows:

Assets /Liabilities	Measurement
Cash	Amortized Cost
Investments	Amortized Cost
Client accounts receivable	Amortized Cost
Other receivables	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost

All financial assets are tested annually for impairment. In the event that there are impairment of financial assets, the losses are recorded in the Statement of Operations.

Legal Aid Ontario

Notes to Financial Statements

For the Year Ended March 31, 2022

REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions.

Provincial grants restricted for the purchase of capital assets are deferred and amortized into revenue over the same period as the related capital asset.

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 records a lawyer's invoice on behalf of a client. Judgment 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.

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:

Office furniture & equipment	- 5 years
Computer hardware	- 3 years
Leasehold improvement	- over the term of lease
Enterprise-wide software	- 3-7 years

Notes to Financial Statements**For the Year Ended March 31, 2022**

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.

The infectious coronavirus ('COVID-19') pandemic has added to the Corporation's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates in the past. 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. Due to the COVID-19 pandemic additional uncertainty exists related to the allowance for client accounts receivable, see Note 3a. This uncertainty relates to client's ability to pay their accounts in the future.

Notes to Financial Statements

For the Year Ended March 31, 2022

1. Government Funding

The Agencies and Appointments Directive requires the Corporation and the Ministry of the Attorney General ("MAG") to enter into a Memorandum of Understanding ("MOU"). The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between MAG and the Corporation. The most recent Memorandum of Understanding (MOU) in effect was signed on November 12, 2014. Following the proclamation of the new Legal Aid Services Act 2020, the Corporation is working with the Ministry to finalize a new MOU. Management expects to finalize the new MOU in fiscal 2023.

- (a) The Corporation is economically dependent on the revenues from the Province of Ontario and the Law Foundation of Ontario ("LFO"): the proportion of LAO's revenue from these funders represented 88% (91% - 2021) and 10% (7% - 2020) respectively. Total contributions received from MAG from the Treasury Board were as shown below:

	2022 (\$000's)	2021 (\$000's)
Government funding	\$ <u>380,749</u>	\$ <u>353,535</u>

- (b) Included in government funding for the year ended March 31, 2022 is an amount of \$92.0 million (2021 - \$86.2 million) representing an allocation of funds based on an agreed cost-sharing arrangement between the federal government and the Province in connection with criminal law for \$55.1 million (2021 - \$52.4 million), under the Youth Criminal Justice Act; and \$36.9 million (2021 - \$33.8 million) for Immigration and Refugee cases.
- (c) LAO received \$7.0 million in funding for the IT Modernization Project for the year ended March 31, 2022. A total of \$6.2 million of this funding was deferred. \$1.9 million of the deferred funding is for two (2) projects that started in fiscal 2022/23, and \$4.3 million of the deferred funding is the unamortized capital cost of the IT Modernization project spent in fiscal 2021/22. Revenue will be recognized at the same rate as the project's amortization expense.

Notes to Financial Statements

For the Year Ended March 31, 2022

2. Expenses by Object

The table below provides totals for each expense category:

	2022 (\$000's)	2021 (\$000's)
Certificates	\$ 196,359	\$ 158,578
Duty Counsel per diem	16,394	10,146
Clinic funding	94,205	94,863
Other transfer payments	2,295	2,018
Salaries and benefits	114,746	111,747
Leases	4,442	4,816
Bad debts, amortization and other expenses	<u>19,612</u>	<u>14,187</u>
	<u>\$ 448,053</u>	<u>\$ 396,355</u>

The expenses by object provides details for salaries, benefits and administrative expenses. The Statement of Operations discloses expenses by program. This includes salaries, benefits and other expenses incurred.

Notes to Financial Statements

For the Year Ended March 31, 2022

3. 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, 2022 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 49,509	\$ 109	\$ 288	\$ 111	\$ 49,001
Less: impairment allowance	<u>(28,403)</u>	<u>(43)</u>	<u>(184)</u>	<u>(37)</u>	<u>(28,139)</u>
	<u>\$ 21,106</u>	<u>\$ 66</u>	<u>\$ 104</u>	<u>\$ 74</u>	<u>\$ 20,862</u>

March 31, 2021 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 52,453	\$ 133	\$ 176	\$ 177	\$ 51,967
Less: impairment allowance	<u>(26,491)</u>	<u>(78)</u>	<u>(69)</u>	<u>(99)</u>	<u>(26,245)</u>
	<u>\$ 25,962</u>	<u>\$ 55</u>	<u>\$ 107</u>	<u>\$ 78</u>	<u>\$ 25,722</u>

Represented by:

	2022 (\$000's)	2021 (\$000's)
Current (non-lien) client accounts receivable	5,160	8,340
Long-term (lien) client accounts receivable	<u>15,946</u>	<u>17,622</u>
	<u>\$ 21,106</u>	<u>\$ 25,962</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

3. 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, 2022 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 1,780	\$ 1,777	\$ -	\$ -	\$ 3
DOJ protocol cases	156	156	-	-	-
HST receivable	7,491	2,866	2,183	2,371	71
Law Foundation of Ontario	4,937	4,937	-	-	-
Other receivables	<u>56</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>42</u>
Total other receivables	<u>\$ 14,420</u>	<u>\$ 9,750</u>	<u>\$ 2,183</u>	<u>\$ 2,371</u>	<u>\$ 116</u>

March 31, 2021 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 1,840	\$ 1,840	\$ -	\$ -	\$ -
DOJ protocol cases	188	188	-	-	-
HST receivable	5,872	2,944	2,275	114	539
Law Foundation of Ontario	3,161	3,161	-	-	-
Other receivables	<u>100</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other receivables	<u>\$ 11,161</u>	<u>\$ 8,233</u>	<u>\$ 2,275</u>	<u>\$ 114</u>	<u>\$ 539</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

4. Investments

	2022 (\$000's)	2021 (\$000's)
Guaranteed investment certificates	\$ 51	\$ 25,051
Accrued interest	-	108
	<u>\$ 51</u>	<u>\$ 25,159</u>

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, 2022 are in compliance with the statutory requirements. Short-term investments held of \$0.051 million (2021 - \$25.1 million) are invested at various rates from prime less 2.2% up to 1.25%. The Corporation earned investment income of \$0.2 million in 2022 (2021 - \$0.3 million).

5. Capital Assets

	Office Furniture & Equipment	Computer Hardware	Leasehold Improvement	Enterprise Wide Software	Total
2022 (\$000's)					
Cost					
Balance, open	\$ 145	\$ 2,101	\$ 2,663	\$ 15,628	\$ 20,537
Additions	7	742	-	4,752	5,501
Disposals	-	(289)	(371)	-	(660)
Balance, close	<u>152</u>	<u>2,554</u>	<u>2,292</u>	<u>20,380</u>	<u>25,378</u>
Accumulated Amortization					
Balance, open	62	920	1,580	15,628	18,190
Amortization	30	643	188	670	1,531
Disposals	-	(289)	(371)	-	(660)
Balance, close	<u>92</u>	<u>1,274</u>	<u>1,397</u>	<u>16,298</u>	<u>19,061</u>
Net book value	<u>\$ 60</u>	<u>\$ 1,280</u>	<u>\$ 895</u>	<u>\$ 4,082</u>	<u>\$ 6,317</u>
2021 (\$000's)					
Cost					
Balance, open	\$ 138	\$ 1,642	\$ 3,712	\$ 15,663	\$ 21,155
Additions	7	1,066	-	-	1,073
Disposals	-	(607)	(1,049)	(35)	(1,691)
Balance, close	<u>145</u>	<u>2,101</u>	<u>2,663</u>	<u>15,628</u>	<u>20,537</u>
Accumulated Amortization					
Balance, open	39	953	2,333	15,663	18,988
Amortization	23	574	296	-	893
Disposals	-	(607)	(1,049)	(35)	(1,691)
Balance, close	<u>62</u>	<u>920</u>	<u>1,580</u>	<u>15,628</u>	<u>18,190</u>
Net book value	<u>\$ 83</u>	<u>\$ 1,181</u>	<u>\$ 1,083</u>	<u>\$ -</u>	<u>\$ 2,347</u>

Capital assets under development of \$4,366 is included in the Enterprise Wide Software.

Notes to Financial Statements

For the Year Ended March 31, 2022

6. Accounts Payable and Accrued Liabilities

	2022 (\$000's)	2021 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 17,208	\$ 13,322
- estimate of work performed but not yet billed	69,100	68,600
Rent inducements	1,393	1,608
Trade and other payables	5,890	6,164
Vacation pay	5,821	6,536
	<u>\$ 99,412</u>	<u>\$ 96,230</u>

7. Deferred Capital Contributions

The change in the deferred contributions balance is as follows:

	2022 (\$000's)	2021 (\$000's)
Balance, beginning of year	\$ -	\$ -
Add: Contributions for capital assets	6,781	-
Less: Amount recognized as revenue in the year	(608)	-
	<u>\$ 6,173</u>	<u>\$ -</u>

8. Invested in Capital 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:

	2022 (\$000's)	2021 (\$000's)
Balance, beginning of year	\$ 2,347	\$ 2,167
Purchase of capital assets	5,501	1,073
Amortization	(1,531)	(893)
Balance, end of year	<u>\$ 6,317</u>	<u>\$ 2,347</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

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 Section 5 of the *Legal Aid Services Act, 2020*. 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.

	2022 (\$000's)	2021 (\$000's)
Payments to and on behalf of clinics	\$ <u>91,323</u>	\$ <u>88,803</u>

10. Commitments and Contingencies

- (a) The Corporation leases 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)	Equipment (\$000's)	Total (\$000's)
2023	\$ 1,935	\$ 2,406	\$ 38	\$ 4,379
2024	1,842	2,329	12	4,183
2025	1,820	2,282	4	4,106
2026	1,518	2,067	1	3,586
2027	1,467	2,057	-	3,524
Thereafter	<u>3,127</u>	<u>4,126</u>	<u>-</u>	<u>7,253</u>
	\$ <u>11,709</u>	\$ <u>15,267</u>	\$ <u>55</u>	\$ <u>27,031</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

10. Commitments and Contingencies (continued)

- (b) 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 \$0.4 million (2021 - \$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.

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 924 (2021 - 944) employees. Pension expense for the year relating to this component of the plan was \$8.6 million (2021 - \$7.9 million).

Defined Benefit Component

The defined benefit component of the plan covers a total of 15 employees; there is 1 active participant (2021 - 1) and 14 retirees (2021 - 14). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employee, which is zero as at March 31, 2022 (2021 - one year). 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 2020, and the next actuarial valuation of the Plan for funding purposes will be prepared for the period ended January 1, 2023.

Notes to Financial Statements

For the Year Ended March 31, 2022

11. Pensions (continued)

It was determined that a full valuation allowance is required against the defined benefit pension plan asset in accordance with public sector accounting standards. For this year the valuation allowance reflects an increase of \$0.5 million (2021 - decrease of \$0.2 million).

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

	2022 (\$000's)	2021 (\$000's)
Accrued benefit obligation	\$ 3,469	\$ 3,546
Fund assets at market value	<u>4,743</u>	<u>4,830</u>
Funded status - plan surplus	1,274	1,284
Unamortized net actuarial loss (gain)	<u>-</u>	<u>(530)</u>
Net Pension asset	<u>1,274</u>	<u>754</u>
Valuation allowance, beginning of year	(754)	(925)
(Increase) decrease valuation allowance	<u>(520)</u>	<u>171</u>
Valuation allowance, end of year	\$ <u>(1,274)</u>	\$ <u>(754)</u>

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

	2022 (\$000's)	2021 (\$000's)
Current period benefit cost	\$ 8	\$ 7
Amortization of actuarial losses (gains)	(454)	226
Interest revenue	<u>(67)</u>	<u>(26)</u>
	\$ <u>(513)</u>	\$ <u>207</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

11. Pensions (continued)

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

	2022	2021
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:

	2022 (\$000's)	2021 (\$000's)
Employer contributions	\$ 6	\$ 36
Employee contributions	3	3
Benefits paid	\$ 268	\$ 268

Notes to Financial Statements

For the Year Ended March 31, 2022

11. Pensions (continued) 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, 2022.

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

	2022	2021
Discount rate	2.60%	4.00%
Inflation	2.58%	1.75%

The Corporation's pension expense for the year for this plan was \$0.18 million (2021 - \$0.11 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2022 was \$2.77 million (2021 - \$2.28 million). During the year, the Corporation made \$0.16 million (2021 - \$0.11 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2022 (\$000's)	2021 (\$000's)
Accrued Pension Liability		
Supplementary Executive Benefit Plan	\$ <u>2,772</u>	\$ <u>2,284</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

12. Financial Instruments Risks

The Corporation is exposed to various risks through transactions in financial instruments and funding impacted by economic conditions.

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 3 (a)).

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 fixed amount committed for future years. The Law Foundation of Ontario (LFO) revenue has fluctuated historically, rising and falling due to the economic conditions, which is beyond LAO's control. Bank of Canada (BoC) has raised the overnight interest rates and is expected to increase the interest rates again to combat inflationary pressures. Management expects these BoC actions will help LAO's cash flow position as the LFO revenue will increase. To manage liquidity risks, LAO is currently working on a range of revenue options with the Ministry of Attorney General to ensure that LAO gets stable funding for future years. In the event stable funding is not available, LAO's level of services to its clients may be impacted and reduced.

13. Contingency Reserve Fund

The Legal Aid Services Act, 1998, required 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 \$20.0 million, which was funded by the Corporation. The \$20.0 million was fully depleted by fiscal year 2017.

The new Legal Aid Services Act, 2020 came into force in October 2021. Under section 5 of Ontario Regulation 672/21, the Corporation is required to pay into a contingency reserve fund when the Corporation is able to do so without affecting the provision of legal aid services.

At March 31, 2022, there was no balance in the Contingency Reserve Fund (2021 - \$nil)

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