



LEGAL AID ONTARIO

AIDE JURIDIQUE ONTARIO

Audited Financial Statements 2020-2021

**Legal Aid Ontario
Financial Statements
For the year ended March 31, 2021**

Contents

Independent Auditors' Report	2
Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Net Assets (Deficit)	6
Statement of Cash Flows	7
Notes to Financial Statements	8



LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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 22, 2021

Louis Dimitracopoulos
Chief Administrative Officer
and Vice President

June 22, 2021



INDEPENDENT AUDITOR'S REPORT

To Legal Aid Ontario

Opinion

I have audited the financial statements of the Legal Aid Ontario (LAO), which comprise the balance sheet as at March 31, 2021, 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, 2021, 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.

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
June 22, 2021

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

Legal Aid Ontario

Balance Sheet

March 31, 2021 (\$000's)	March 31, 2020 (\$000's)
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ASSETS

Current Assets

Cash and cash equivalents (Note 7)	\$ 34,093	\$ 42,727
Investments (Note 4)	25,159	25,229
Prepaid expenses and other assets	2,728	2,071
Client accounts receivable, net of allowance (Note 3(a))	8,340	9,067
Other receivables (Note 3(b))	<u>11,161</u>	<u>14,443</u>

81,481 93,537

Long-term client accounts receivable, net of allowance (Note 3(a))	17,622	18,887
Capital net assets (Note 5)	<u>2,347</u>	<u>2,167</u>

TOTAL ASSETS

\$ 101,450 \$ 114,591

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued liabilities (Note 6)	\$ <u>96,230</u>	\$ <u>99,717</u>
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Long-Term Liabilities

Accrued pension liability (Note 11)	<u>2,284</u>	<u>2,289</u>
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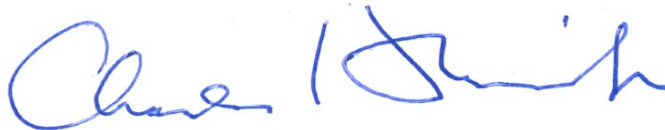
Net Assets

Net accumulated surplus	589	10,418
Invested in capital assets (Note 8)	<u>2,347</u>	<u>2,167</u>

2,936 12,585

TOTAL LIABILITIES AND NET ASSETS

\$ 101,450 \$ 114,591



Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31	March 31, 2021 (\$000's)	March 31, 2020 (\$000's)
REVENUE		
Government funding (Notes 1(a) and 1(b))	\$ 353,535	\$ 357,110
The Law Foundation of Ontario funding	25,454	105,687
Client contributions	5,195	9,204
Client and other recoveries	1,646	2,380
Investment income (Note 4)	308	795
Miscellaneous income	<u>568</u>	<u>859</u>
TOTAL REVENUE	\$ <u>386,706</u>	\$ <u>476,035</u>
EXPENSES (Note 2)		
Client Programs		
Certificate Program		
Criminal - Big cases	\$ 17,452	\$ 25,371
Criminal - others	<u>61,686</u>	<u>90,716</u>
Sub-total	79,138	116,087
Family	54,563	70,611
Immigration and refugee	16,382	26,316
Other civil	<u>8,495</u>	<u>7,596</u>
Sub-total	158,578	220,610
Settlement conferences	126	152
Family law offices	5,423	6,295
Integrated law offices	4,441	4,667
Criminal law offices	3,331	2,760
Refugee law office	3,299	3,586
Articling students	162	839
Nishnawbe-Aski Legal Services Corporation	<u>2,018</u>	<u>1,960</u>
Certificates	<u>177,378</u>	<u>240,869</u>
Duty Counsel Program		
Duty counsel fees and disbursements	46,298	54,303
Expanded duty counsel	<u>2,943</u>	<u>2,157</u>
Sub-total	<u>49,241</u>	<u>56,460</u>
Clinic Program and Special Services		
Clinic law services (Note 9)	88,803	82,531
Student legal aid services societies	5,183	5,035
Clinic information management project	<u>877</u>	<u>1,482</u>
Sub-total	<u>94,863</u>	<u>89,048</u>
Service Innovation Projects		
Other	<u>\$ 2,103</u>	<u>\$ 2,178</u>

Legal Aid Ontario Statement of Operations

For the year ended March 31	2021 (\$000's)	2020 (\$000's)
EXPENSES (continued)		
Program Support		
Regional operations	\$ 1,879	\$ 1,102
District/Area office services	14,033	13,700
Client and legal service centre	<u>10,949</u>	<u>9,618</u>
Sub-total	<u>26,861</u>	<u>24,420</u>
TOTAL CLIENT PROGRAMS	<u>350,446</u>	<u>412,975</u>
Service Provider Support		
Research facilities	3,127	3,519
Lawyers' services and payments	<u>4,829</u>	<u>4,954</u>
Sub-total	<u>7,956</u>	<u>8,473</u>
Administrative and Other Costs		
Provincial office	34,946	36,030
Amortization	893	1,066
Bad debts	<u>2,114</u>	<u>3,109</u>
Sub-total	<u>37,953</u>	<u>40,205</u>
TOTAL EXPENSES	<u>396,355</u>	<u>461,653</u>
Excess (Deficiency) of revenues over expenses for the year	<u>\$ (9,649)</u>	<u>\$ 14,382</u>

Legal Aid Ontario

Statement of Changes in Net Assets (Deficit)

For the year ended March 31,

	Invested Capital Assets (Note 8)	Accumulated Surplus	2021 Total	2020 Total
<u>(\$000's)</u>				
Net assets (deficit), beginning of year	\$ 2,167	\$ 10,418	\$ 12,585	\$ (1,797)
Net change in capital assets	180	(180)	-	-
Excess (Deficiency) of revenues over expenses for the year	<u>-</u>	<u>(9,649)</u>	<u>(9,649)</u>	<u>14,382</u>
Net assets, end of year	<u>\$ 2,347</u>	<u>\$ 589</u>	<u>\$ 2,936</u>	<u>\$ 12,585</u>

Legal Aid Ontario
Statement of Cash Flows

For the year ended March 31	March 31, 2021 (\$000's)	March 31, 2020 (\$000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess (Deficiency) of revenues over expenses for the year	\$ (9,649)	\$ 14,382
Non-cash operating activity:		
Amortization of capital assets	893	1,066
Changes in non-cash balances:		
Accrued pension liability	(5)	59
Accrued interest on investments	70	36
Prepaid expenses and other assets	(657)	641
Client accounts receivable	727	964
Other receivables	3,282	4,457
Long-term client accounts receivable	1,265	999
Accounts payable and accrued liabilities	(3,487)	(3,889)
	<u>(7,561)</u>	<u>18,715</u>
INVESTING ACTIVITIES		
Redemption of Investment	10,000	5,000
Purchase of Investment	(10,000)	(5,000)
	<u>-</u>	<u>-</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,073)	(316)
Net (decrease) increase in cash and cash equivalents during the year	(8,634)	18,399
Cash and cash equivalents, beginning of year	<u>42,727</u>	<u>24,328</u>
Cash and cash equivalents, end of year	<u>\$ 34,093</u>	<u>\$ 42,727</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

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 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 and cash equivalents, 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 and cash equivalents	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, 2021

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. 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, internally restricted cash, balances with financial institutions and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value with original maturities of typically one 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

Notes to Financial Statements**For the Year Ended March 31, 2021**

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.

Legal Aid Ontario

Notes to Financial Statements

For the Year Ended March 31, 2021

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 new agreement is expected to be worked on following the proclamation of the new Legal Aid Services Act 2020 (LASA 2020). The Corporation expects the LASA 2020 to be proclaimed in fiscal 2022.

- (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 91% (75% - 2020) and 7% (22% - 2020) respectively. Total contributions received from MAG from the Treasury Board were as shown below:

	2021 (\$000's)	2020 (\$000's)
Government funding	<u>\$ 353,535</u>	<u>\$ 357,110</u>

- (b) Included in government funding for the year ended March 31, 2021 is an amount of \$86.2 million (2020 - \$89.8 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 \$52.4 million (2020 - \$48.9 million), under the Youth Criminal Justice Act; and \$33.8 million (2020 - \$40.9 million) for Immigration and Refugee cases.
- (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.

Notes to Financial Statements

For the Year Ended March 31, 2021

2. Expenses by Object

The table below provides totals for each expense category:

	2021 (\$000's)	2020 (\$000's)
Certificates	\$ 158,578	\$ 220,610
Duty Counsel per diem	10,146	20,479
Clinic funding	94,863	89,048
Other transfer payments	2,018	1,960
Salaries and benefits	111,747	106,614
Leases	4,816	4,972
Bad debts, amortization and other expenses	<u>14,187</u>	<u>17,970</u>
	<u>\$ 396,355</u>	<u>\$ 461,653</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, 2021

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, 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>

March 31, 2020 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 56,989	\$ 152	\$ 389	\$ 275	\$ 56,173
Less: impairment allowance	<u>(29,035)</u>	<u>(81)</u>	<u>(254)</u>	<u>(169)</u>	<u>(28,531)</u>
	<u>\$ 27,954</u>	<u>\$ 71</u>	<u>\$ 135</u>	<u>\$ 106</u>	<u>\$ 27,642</u>

	2021 (\$000's)	2020 (\$000's)
Represented by:		
Current (non-lien) client accounts receivable	8,340	9,067
Long-term (lien) client accounts receivable	<u>17,622</u>	<u>18,887</u>
	<u>\$ 25,962</u>	<u>\$ 27,954</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

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, 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>
March 31, 2020 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 3,937	\$ 1,848	\$ -	\$ -	\$ 2,089
DOJ protocol cases	104	104	-	-	-
HST receivable	3,020	3,020	-	-	-
Law Foundation of Ontario	6,822	6,822	-	-	-
Other receivables	<u>560</u>	<u>509</u>	<u>-</u>	<u>-</u>	<u>51</u>
Total other receivables	<u>\$ 14,443</u>	<u>\$ 12,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,140</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

4. Investments

	2021 (\$000's)	2020 (\$000's)
Guaranteed investment certificates	\$ 25,051	\$ 25,051
Accrued interest	<u>108</u>	<u>178</u>
	<u>\$ 25,159</u>	<u>\$ 25,229</u>

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, 2021 are in compliance with the statutory requirements. Short-term investments held of \$25.1 million (2020 - \$25.1 million) are invested at various rates from prime less 2.2% up to 1.25%. The Corporation earned investment income of \$0.3 million in 2021 (2020 - \$0.8 million).

5. Capital Assets:

	Office Furniture & Equipment	Computer Hardware	Leasehold Improvement	Enterprise Wide Software	Total
2021 (\$000's)					
Cost					
Balance, open	\$ 138	\$ 1,642	\$ 3,712	\$ 15,663	\$ 21,155
Additions	7	1,066	-	-	1,073
Disposals	<u>-</u>	<u>(607)</u>	<u>(1,049)</u>	<u>(35)</u>	<u>(1,691)</u>
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	<u>-</u>	<u>(607)</u>	<u>(1,049)</u>	<u>(35)</u>	<u>(1,691)</u>
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>
2020 (\$000's)					
Cost					
Balance, open	\$ 199	\$ 2,210	\$ 4,320	\$ 17,912	\$ 24,641
Additions	-	316	-	-	316
Disposals	<u>(61)</u>	<u>(884)</u>	<u>(608)</u>	<u>(2,249)</u>	<u>(3,802)</u>
Balance, close	<u>138</u>	<u>1,642</u>	<u>3,712</u>	<u>15,663</u>	<u>21,155</u>
Accumulated Amortization					
Balance, open	90	1,323	2,419	17,892	21,724
Amortization	10	514	522	20	1,066
Disposals	<u>(61)</u>	<u>(884)</u>	<u>(608)</u>	<u>(2,249)</u>	<u>(3,802)</u>
Balance, close	<u>39</u>	<u>953</u>	<u>2,333</u>	<u>15,663</u>	<u>18,988</u>
Net book value	<u>\$ 99</u>	<u>\$ 689</u>	<u>\$ 1,379</u>	<u>\$ -</u>	<u>\$ 2,167</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

6. Accounts Payable and Accrued Liabilities

	2021 (\$000's)	2020 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 13,322	\$ 13,636
- estimate of work performed but not yet billed	68,600	73,600
Rent inducements	1,608	1,822
Trade and other payables	6,164	6,917
Vacation pay	6,536	3,742
	<u>\$ 96,230</u>	<u>\$ 99,717</u>

7. Internally-restricted cash

Included in cash and cash equivalents is an amount of \$16.5M internally restricted to cover future costs related to immigration and refugee certificates issued in prior year.

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:

	2021 (\$000's)	2020 (\$000's)
Balance, beginning of year	\$ 2,167	\$ 2,917
Purchase of capital assets	1,073	316
Amortization	<u>(893)</u>	<u>(1,066)</u>
Balance, end of year	<u>\$ 2,347</u>	<u>\$ 2,167</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

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.

	2021	2020
	(\$000's)	(\$000's)
Payments to and on behalf of clinics	<u><u>\$ 88,803</u></u>	<u><u>\$ 82,531</u></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	Operating Costs	Equipment	Total
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
2022	\$ 2,113	\$ 2,542	\$ 53	\$ 4,708
2023	1,883	2,395	37	4,315
2024	1,842	2,329	11	4,182
2025	1,820	2,282	3	4,105
2026	1,518	2,067	-	3,585
Thereafter	<u>4,594</u>	<u>6,183</u>	<u>-</u>	<u>10,777</u>
	<u><u>\$ 13,770</u></u>	<u><u>\$ 17,798</u></u>	<u><u>\$ 104</u></u>	<u><u>\$ 31,672</u></u>

Notes to Financial Statements

For the Year Ended March 31, 2021

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 \$0.3 million (2020 - \$0.6 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 944 (2020 - 973) employees. Pension expense for the year relating to this component of the plan was \$7.9 million (2020 - \$7.5 million).

Defined Benefit Component

The defined benefit component of the plan covers a total of 15 employees; there is 1 active participant (2020 - 1) and 14 retirees (2020 - 14). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employee, which is two years as at March 31, 2021 (2020 - three years). 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, 2021

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 a decrease of \$0.2 million (2020 - increase of \$0.2 million).

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

	2021 (\$000's)	2020 (\$000's)
Accrued benefit obligation	\$ 3,546	\$ 3,621
Fund assets at market value	<u>4,830</u>	<u>4,114</u>
Funded status - plan surplus	1,284	493
Unamortized net actuarial loss (gain)	<u>(530)</u>	<u>432</u>
Net Pension asset	<u><u>754</u></u>	<u><u>925</u></u>
Valuation allowance, beginning of year	(925)	(760)
(Increase) decrease valuation allowance	<u>171</u>	<u>(165)</u>
Valuation allowance, end of year	\$ <u><u>(754)</u></u>	\$ <u><u>(925)</u></u>

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

	2021 (\$000's)	2020 (\$000's)
Current period benefit cost	\$ 7	\$ 18
Amortization of actuarial losses (gains)	226	(76)
Interest revenue	<u>(26)</u>	<u>(43)</u>
	<u><u>207</u></u>	<u><u>(101)</u></u>

Notes to Financial Statements

For the Year Ended March 31, 2021

11. Pensions (continued)

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

	<u>2021</u>	<u>2020</u>
Accrued benefit obligation		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%
	<u>2021</u>	<u>2020</u>
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:

	<u>2021</u> (\$000's)	<u>2020</u> (\$000's)
Employer contributions	\$ 36	\$ 64
Employee contributions	3	7
Benefits paid	\$ 268	\$ 213

Notes to Financial Statements

For the Year Ended March 31, 2021

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, 2021.

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

	<u>2021</u>	<u>2020</u>
Discount rate	4.00%	4.00%
Inflation	1.75%	1.50%

The Corporation's pension expense for the year for this plan was \$0.11 million (2020 - \$0.17 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2021 was \$2.28 million (2020 - \$2.29 million). During the year, the Corporation made \$0.11 million (2020 - \$0.11 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	<u>2021</u> (\$000's)	<u>2020</u> (\$000's)
Accrued Pension Liability		
Supplementary Executive Benefit Plan	\$ <u>2,284</u>	\$ <u>2,289</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

12. Contingency Reserve - Non-compliance with Regulation

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. The \$20.0 million was fully depleted in fiscal year 2017.

LAO had net accumulated deficits in the fiscal years 2018 and 2019. Further, LAO had funding reductions from the Ontario government in fiscal 2019 and 2020 resulting in LAO having to rely on unpredictable LFO revenues. LFO revenues which are driven by the Bank of Canada overnight rate, fell by over \$80M as a result of three Bank of Canada rate reductions in March 2020. As a result, LAO has been unable to be compliant with this legislative requirement.

13. 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 LFO's revenue has fluctuated historically, rising and falling due to economic conditions, which is beyond LAO's control. The funding reductions from MAG in fiscal 2019 and 2020 resulted in LAO having to further rely on unpredictable LFO revenues. LFO revenues which are driven by the Bank of Canada overnight rate, fell by over \$80M as a result of three Bank of Canada rate reductions in March 2020. This has resulted in unprecedented financial stress on LAO and with no firm funding commitments in place from either the provincial or federal governments, the fulfillment of LAO's mandate will be a challenge in the future. To manage liquidity risks, LAO is currently working on a range of revenue options with the Ministry of the Attorney General to provide stable funding for fiscal 2022 and future years, and is also considering cuts to both program and administrative expenditures.

Notes to Financial Statements

For the Year Ended March 31, 2021

13. Financial Instruments Risks (continued)

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 \$25.1 million (2020 - \$25.1 million) invested in Guaranteed Investment Certificates (GIC), at rates of up to 1.25% with maturity dates to January 4, 2022.

14. Comparative Figures

Amounts in; Criminal - big case, Criminal - others, Criminal law offices and Lawyer services and payments have been reclassified in order to conform to the current year's presentation.