

LEGAL AID ONTARIO
**ANNUAL
REPORT**
2018 - 2019



LEGAL AID ONTARIO

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Legal Aid Ontario

40 Dundas Street West, Suite 200
Toronto, Ontario M5G 2H1

Toll-free: 1-800-668-8258

Email: info@lao.on.ca

Website: www.legalaid.on.ca

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.



September 5, 2019

The Honourable Doug Downey
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, 2019.

We value the ministry and the Government of Ontario's funding support of Legal Aid Ontario services for low-income Ontarians.

Sincerely,

A handwritten signature in blue ink, appearing to read "Charles Harnick".

Charles Harnick, Q.C., L.S.M
Chair, Legal Aid Ontario Board of Directors

Services

Legal Aid Ontario (LAO) offers a range of legal services, extending from summary legal advice to full representation. Services are delivered by staff lawyers or private bar lawyers contracted by LAO.

Financially eligible low income Ontarians may receive legal services from LAO in the following areas:

- Family law
- Immigration and refugee law
- Criminal law
- Poverty law
- Mental health law

In court

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

Over the phone

Toll-free services include information, referrals, and the taking of legal aid applications.

Representation by a private lawyer

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

Community legal clinics

LAO funds clinics, which provide legal help for low-income people and communities to meet their most basic needs, such as a source of income, a home, and human rights.

LEADERSHIP MESSAGES

Message from the CEO

I want to start by thanking staff and board members for their dedication and hard work throughout the year. Strategic planning was our focus in 2018-19, complemented by a concurrent value for money audit by the auditor general of Ontario that provided sound direction for operational improvements. We have since re-structured our organization and introduced a new five-year strategic plan to guide our work and prioritize investment in technology that will help us deliver quality legal services more efficiently and effectively.

Recognizing the valuable insights of our stakeholders, we continue to listen thoughtfully and work together to identify and address areas for improvement. We streamlined administrative processes and billing so that panel lawyers can focus on what they do best. Our bail review pilot may lead to reductions in the wait time between a bail determination and bail review. And, insights from consultations with racialized communities are informing our efforts to help end the systemic discrimination of racialized people in contact with the justice system.

This year, the Legal Aid Ontario Client Portal also went live—giving clients 24/7 access to documents and correspondence from LAO. A new community legal clinic, Black Legal Action Centre (BLAC), is now open offering legal aid services to combat anti-Black racism. Meanwhile, input and creative ideas from staff are guiding efforts to modernize operations and to ensure this talented team has the resources and opportunities to meet the changing needs of clients.

LAO closed the 2018-19 fiscal year by raising the financial eligibility threshold for the certificate program and clinic law services by six per cent, giving more low-income Ontarians access to justice than ever before. We also bid a fond farewell to outgoing board chair, John McCamus, who has skillfully guided the work of LAO since 2007. It has been a privilege to work closely alongside John. Our organization and the clients we serve will continue to benefit from his insights, leadership, and John's unwavering commitment to access to justice for all. I am joined by staff and board members in wishing John well and welcoming Charles Harnick as the new chair

Our focus in 2019-20 turns to providing consistently high-quality legal aid services in an even more cost-effective and efficient way. Every aspect of our work, from the deepest operational systems to frontline services, will be re-examined—planting seeds of innovation that will produce the legal aid system of tomorrow.

Sincerely,



David Field
President & CEO, Legal Aid Ontario

Message from the outgoing-chair

After 11 years as chair of the LAO Board of Directors, I ended my tenure at the end of March 2019. Serving as chair has been a truly fulfilling experience. It was a privilege to serve the public in this capacity, and for so long.

I will miss the work. Countless contributions went into creating what is a legal aid system that is the envy of the world. Staff and board members have worked earnestly to identify and address service gaps, to modernize our infrastructure and streamline processes, and to understand the unique challenges faced by Indigenous people, racialized communities, and vulnerable groups when they come in contact with the justice system. We have also passionately advocated to protect the rights of all Ontarians, and accepted every opportunity possible to learn and share our knowledge with peer organizations across Canada and around the world. There was never a dull moment.

Most of all, I will miss the people of LAO. Getting to know senior management and staff was an essential part of my job, and it was also the most enjoyable. The diverse talent of this team is eclipsed only by their dedication to the tenet of access to justice for all. Clients are at the centre of everything they do.

I remain forever grateful for the opportunity to contribute to the vital work of LAO. It has enriched my life—both personally and professionally—immeasurably.

Thank you,

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

John McCamus
Outgoing-chair, Legal Aid Ontario Board of Directors

Message from the new chair

It's an honour to have the opportunity to serve Ontarians again, this time as chair of the LAO Board of Directors. The organization has come a long way since 1998 when, as attorney general, I had the privilege of introducing the *Legal Aid Services Act* that created Legal Aid Ontario. Today, LAO is a mature, vibrant organization—an indispensable part of our justice system.

Legal aid is the cornerstone of access to justice. LAO's work protects the rights of the most disadvantaged and vulnerable in society, helps address injustices, and facilitates access to essential legal and social services. I look forward to the opportunities ahead to expand LAO's role and influence.

I am indebted to the CEO, past-chair, staff, and service providers for their expertise, hard work, and unwavering commitment to clients. As chair, I will dutifully guide the board in making difficult decisions on behalf of clients, match the dedication of staff and other service providers, and champion projects that will prepare LAO to meet the evolving needs of Ontarians in the most effective, efficient and sustainable ways.

Sincerely,



Charles Harnick, Q.C., L.S.M
Chair, Legal Aid Ontario Board of Directors

BOARD OF DIRECTORS & COMMITTEES

Board of Directors

LAO's board governs and manages the organization's affairs and is composed of people appointed by the lieutenant governor in council.

Name	Start date	End date
John McCamus, chair	July 2007	March 2019
Nancy Cooper	February 2009	February 2020
Christa Freiler	July 2015	July 2020
Carol L. Hartman	September 2015	September 2020
James McNee	June 2008	December 2018
W.A. Derry Millar	April 2011	June 2019
Timothy Murphy	March 2009	December 2018
Peter Owsiany	December 2018	December 2020
Sean Robichaud	December 2018	January 2020
Michel Robillard	July 2015	July 2020
Remy Sirls-Boulbol	January 2018	January 2020
James N. Yakimovich	June 2008	September 2018
Ann Marie Yantz	March 2017	March 2019
Total annual remuneration: \$199,687.48		
David Field, President & CEO/ <i>Ex Officio</i> board member	January 2016	N/A

Committees

Advisory committees

Nine committees, made up of 90 members of the community, provide input and advice to LAO in the areas of:

- Clinic law
- Criminal law
- Family law
- French Language Services
- Immigration and refugee law
- Indigenous issues
- Mental health law
- Prison law
- Racialized communities

Advisory committees keep LAO informed about developments “on the ground” and assist with the planning of initiatives.

Area committees

Nine area committees made up of approximately 300 people, including lawyers and community representatives, hear appeals related to decisions regarding client eligibility for legal aid certificates.

Group application and test-case committee

This committee makes decisions about group and individual applications for:

- Legal aid for representation at coroners’ inquests
- Test cases involving the *Charter of Rights and Freedoms*
- Funding
- Research support
- Staff lawyer support
- Mentoring

Decisions are based on the strengths and weaknesses of the legal matter and the potential impact on low-income Ontarians.

Exceptions committee

Comprised of experienced criminal lawyers, this committee makes budget recommendations for criminal cases that are anticipated to cost more than \$75,000.

YEAR IN REVIEW

Q1

April – June, 2018

April 2018

- LAO raised the financial eligibility threshold for legal aid by another six per cent for our certificate program and for clinic law services—giving more Ontarians access to legal aid than ever before.
- Thanks to an investment from the province, community legal clinics and student legal aid services societies (SLASS) received an additional \$7.3M in funding in 2018-19 to help ensure that more low-income Ontarians can obtain legal services.

Q2

July – September, 2018

September 2018

- LAO appeared before the Standing Committee on Justice and Human Rights to provide input on Bill C75 that proposed amendments to the *Criminal Code*, the *Youth Criminal Justice Act*, and several other laws that would impact clients' rights and access to justice.
- LAO began a three-month [pilot project](#) (extended to July 2019) to evaluate whether it is in the public interest to guarantee authorization of meritorious bail review applications by the private bar. The process under review streamlines and dramatically reduces the wait time between a bail determination and bail review.

Q3

October – December, 2018

October 2018

- LAO's [Racialized Communities Strategy](#) consultations closed with approximately 400 individuals (including representatives from 60 agencies that collectively serve an estimated tens of thousands of low-income and racialized Ontarians each year) providing input on ways to address the problems faced by racialized people that are in contact with the justice system.

November 2018

- LAO's Mental Health Strategy team published the [CCB Appeal Merit Consideration Guide](#) to help lawyers who represent clients at Consent and Capacity Board (CCB) appeals. The guide provides an overview of common types of CCB applications, legal grounds for appeal, appeal timelines, and the new two-stage merit test.
- LAO's annual Lawyer Satisfaction Survey closed with input from approximately 700 private bar lawyers about their satisfaction with services provided to panel lawyers.

December 2018

- LAO's client portal launched December 3, 2018—giving clients convenient access to information and services.
- The auditor general delivered a value-for-money audit of LAO featuring [15 recommendations](#), all of which are underway or completed.

Q4

January – March, 2019

January 2019

- The organization-wide restructuring of LAO culminated with more defined accountabilities and improved processes for performance management, supporting more effective decision making, consistency, and better service for clients.
- LAO published its new [five-year strategic plan](#) that will guide the development and delivery of programs and services through five strategic priorities: client-centred focus, demonstrated value for money, innovative services, engaged staff, and effective collaboration.

March 2019

- The Black Legal Action Centre, a not for profit organization aimed at combating individual and systemic anti Black racism, opened.
- Mary Birdsell, the executive director of Justice for Children and Youth, a LAO-funded community clinic, received the Sidney B. Linden award given to exceptional individuals who help low-income Ontarians in the pursuit of access to justice. Ms. Birdsell was recognized for her 22 year career developing innovative ways for young people to gain access to justice.
- The final evaluation of the Hamilton Legal Outreach (HLO) project, a joint-initiative between LAO and the Hamilton Community Legal Clinic (HCLC) is published. HLO embeds LAO staff lawyers and clinic lawyers at community sites across the Hamilton area to provide summary legal advice and referral services to people who may be experiencing mental health or addiction issues. These sites include a youth shelter, McMaster family practice doctor's office, a psychiatric crisis centre and an Indigenous health centre.

KEY PERFORMANCE INDICATORS (KPI)

Organization health

KPI	Measurement frequency	Last measured	Target	2018-19	2017-18
Turnover	Annual	Q4 2018-19	10%	11.5%	13.0%
Staff to management ratio	Annual	Q4 2018-19	10:1	8:1	8.5:1
Average sick days used per employee (incidental + short term)	Annual	Q3 2018-19	10.1 days	10.6 days	11.8 days
Employee engagement	Annual	Q4 2018-19	72%	In progress	67%

Financial indicators

KPI	Measurement frequency	Last measured	Target	2018-19	2017-18
Balanced budget	Annual	2018-19	No deficit	\$13.2M surplus	\$11.4M surplus
Debt position	Annual	2018-19	No accumulated deficit	(\$4.7M) accumulated deficit	(\$18.6M) accumulated deficit
Cash and investments	Annual	2018-19	\$15M cash	\$49.6M balance	\$41.9M balance
% of expenditures spent on administration	Annual	2018-19	11%	10.2%	10.1%

Service

KPI	Measurement frequency	Last measured	Target	2017-18	2018-19
Area office appeals heard within 3 days	Quarterly	Q4 2018-19	80%	51%	60%
Acceptance rate for certificate applications	Quarterly	Q4 2018-19	87%	87%	85%
Calls answered within 3 minutes (L1*)	Quarterly	Q4 2018-19	80%	46%	70%
Calls answered within 3 minutes (LSC*)	Quarterly	Q4 2018-19	80%	77%	84%
Calls answered within 3 minutes (In-custody*)	Quarterly	Q4 2018-19	80%	64%	64%
Calls answered within 20 minutes (L2*)	Quarterly	Q4 2018-19	80%	50%	63%
Overall client satisfaction (% positive responses)	Annually	Q4 2018-19	80%	77%	81%
Overall lawyer satisfaction (% positive responses)	Annually	Q3 2018-19	60%	53%	52%

*Please see the [Call centre](#) section of this report for descriptions of the roles and responsibilities of L1, L2, In-custody, and LSC service agents.

ANALYSIS OF OPERATIONAL PERFORMANCE

We believe that a good analysis must start with accurate and well-defined data. That is why this year we revisited how we report on services and activities. Our aim is to make the figures presented in this Annual Report more transparent and illustrative of the work we do and how we do it.

Where possible, we have provided information going back as far as ten years. LAO's core service data can be downloaded in a machine-readable format at www.legalaid.on.ca.

Call centre

LAO's call centre is one of the main points of access for information about legal aid, referrals to legal services, and to apply for legal aid.

Number of calls answered over the phone

Service level / type	2015-16	2016-17	2017-18	2018-19
L1 (tier 1)	260,146	295,186	285,154	288,469
L2 (tier 2)	92,778	114,505	100,310	111,694
In-custody clients	33,984	31,827	32,822	34,842
Lawyer Services Centre (LSC)	47,208	44,409	46,538	44,230

L1 (tier 1)

L1 service agents assess service needs and provide information about qualifying for legal aid. Their responsibilities include, but are not limited to: triage, making referrals, performing status checks and updating client profiles.

L2 (tier 2)

L2 service agents conduct an in-depth analysis of a client's legal needs, financial situation and case details to determine eligibility for legal aid services. They also process applications, issue certificates, make referrals, and provide legal information.

In-custody clients

Call centre agents also take calls from people in-custody to determine their legal aid eligibility, process applications and issue certificates.

Lawyer Services Centre (LSC)

Lawyers who do legal aid work can contact the call centre for information about: tariff, billing, account status, and technical support. This group serves as a first point of contact for most lawyers' enquiries.

Average call wait time

Service level/type	2015-16	2016-17	2017-18	2018-19
L1 (tier 1)	04:01	02:07	08:06	03:29
L2 (tier 2)	24:22	09:02	34:22	21:42
In-custody clients	03:46	01:02	02:36	02:38
Lawyer Services Centre (LSC)	01:17	02:43	02:06	01:24

Core services and activities

Most clients receive legal services from duty counsel lawyers working in Ontario's criminal and family courts, and through our certificate program whereby LAO pays private lawyers to provide select legal services to low-income people who qualify. We call these our core services.

Core services require the most resources to run and manage. In the following pages, we provide figures about these services and how we deliver them as part of our commitment to the people of Ontario.

Duty counsel services

LAO's duty counsel program provides legal assistance in Ontario's criminal, youth, and family courts. People who do not have a private lawyer can speak to a duty counsel lawyer to get information about legal proceedings, summary legal information, and, in some cases, legal advice and representation. These services are provided by LAO staff lawyers and per diem private bar lawyers.

Duty counsel services provided at criminal courts can include summary legal advice, representation at a bail hearing, negotiating with the Crown, and resolving a matter by way of withdrawal or guilty plea. In family courts, duty counsel can provide summary legal advice, document preparation, and assist clients in responding to or submitting a motion.

Number of people assisted by duty counsel

Area of law	2014-15	2015-16	2016-17	2017-18	2018-19
Criminal	441,840	439,030	460,988	508,679	516,160
Civil*	161,599	154,337	144,989	139,977	138,063
Total	603,439	593,367	605,977	648,656	654,223

*This category consists largely of people assisted in family law courts.

Duty counsel assist whomever appears on the day of their hearing without private legal representation. Often they help the same client multiple times on different occasions and for different matters. That is why we measure the number of times that duty counsel provide assistance, not the number of unique individuals served.

Certificate program

LAO staff working at courthouses or on the phone assess whether an individual qualifies for legal help from LAO, and what kind. A formal application is then created, and, if approved, a certificate is issued. Certificates state the type of service and length of time, as LAO will pay for a lawyer to complete the service based on the typical amount of work required.

Formal applications for certificates by fiscal year

Certificate applications	2014-15	2015-16	2016-17	2017-18	2018-19
Applications made	103,960	125,695	129,369	119,300	129,360

Certificate application outcomes

Outcomes	2014-15	2015-16	2016-17	2017-18	2018-19
Approved	87,279	108,259	112,109	102,873	111,588
Refused	13,503	12,825	13,182	13,159	14,024
Other	7,025	8,056	7,887	6,404	6,380
Total outcomes recorded	107,807	129,140	133,178	122,436	131,992

This table shows the total number of application decisions (outcomes) that LAO recorded in fiscal years 2014-15 to 2018-19. Application outcomes labelled as “Other” are often of an administrative nature and can include: referrals to other service providers, applications withdrawn by the client, or instances when an application was created in error.

Length of time to determine application outcome

Duration	2014-15	2015-16	2016-17	2017-18	2018-19
Same-day	76,193	90,991	93,247	85,652	92,533
1 to 7 days	8,117	9,415	10,144	10,023	12,264
7 to 14 days	5,127	6,475	6,337	6,199	6,835
14 to 30 days	8,882	10,287	10,098	9,225	9,522
Over 30 days	9,488	11,972	13,352	11,337	10,838
Total outcomes recorded	107,807	129,140	133,178	122,436	131,992
Same-day outcomes	71%	70%	70%	70%	70%

Certificate program (continued)

The sooner a decision is made by LAO, the sooner a client can proceed with resolving their legal matter. As such, LAO tracks the length of time it takes to make application decisions as part of our quality control efforts.

Application processing can be affected by a number of factors, including: the availability of client information when an application is created, the complexity of the legal matter, or when an original decision is changed after an appeal.

Certificates approved by area of law

Area of law	2014-15	2015-16	2016-17	2017-18	2018-19
Criminal	54,182	63,688	63,855	56,777	60,408
Family	22,086	30,195	30,303	27,049	29,401
Immigration & refugee	6,445	9,268	12,658	13,687	16,181
Other*	4,566	5,108	5,293	5,360	5,598
Total certificates issued	87,279	108,259	112,109	102,873	111,588

*'Other' represents matters before the Consent and Capacity Board, prison law, and matters before civil tribunals.

Once a certificate is issued, the client can choose any lawyer registered on an LAO panel and thereby authorized to accept legal aid certificates. The overall proportion of certificates where a client obtains a lawyer is very high but shows some variance between different areas of law.

Percentage of certificates accepted by area of law

Area of law	2014-15	2015-16	2016-17	2017-18	2018-19
Criminal	97%	97%	97%	97%	97%
Family	85%	83%	81%	79%	80%
Immigration & refugee	96%	96%	94%	94%	94%
Other*	95%	96%	96%	95%	95%

*'Other' represents matters before the Consent and Capacity Board, prison law, and matters before civil tribunals.

Note: 2018-19 figures are not yet available as clients may still be in the process of finding a lawyer to represent them.

Certificate program (continued)

Each year, thousands of lawyers across the province provide legal services as part of LAO's certificate program.

Number of lawyers who accepted a LAO certificate

Lawyers	2014-15	2015-16	2016-17	2017-18	2018-19
Number of lawyers	3,190	3,321	3,440	3,430	3,418

Throughout the lifetime of a court case, LAO manages the financial cost of the lawyer's work. We provide billing guidelines about the kind of work that is covered by a legal aid certificate, the hourly rate payable, and the maximum number of hours that LAO will cover for different legal matters. Certificates can be amended by LAO to authorize additional work and to cover other costs. LAO also provides oversight and support throughout the case as part of our obligation to our clients and the taxpayers who fund the legal aid system.

LAO does not specify how much legal aid work a lawyer does throughout the year. There are some lawyers who accept a handful of cases, while others focus their practice entirely on representing legal aid clients.

Number of lawyers paid more than \$100K in fees

Fees	2014-15	2015-16	2016-17	2017-18	2018-19
\$100K to \$250K	526	589	637	625	639
Over \$250K	38	59	78	81	94
Total – Over \$100K	564	648	715	706	733

The rising number of lawyers who are paid more than \$100K in fees per year is likely the result of increases in the hourly tariff rate which is based on provincial government regulations and the value of certificates issued.

Certificate program (continued)

The following table shows the average (mean) cost of all certificates completed during fiscal years 2014-15 to 2018-19, by area of law. Average cost is a generalization; the cost of any individual matter can vary substantially depending on its complexity and duration.

Average cost of a completed certificate by area of law

Area of law	2014-15	2015-16	2016-17	2017-18	2018-19
Criminal	\$ 1,641	\$1,674	\$1,664	\$1,787	\$1,815
Family	\$3,196	\$3,187	\$3,259	\$3,335	\$3,496
Immigration & refugee	\$2,648	\$2,742	\$2,631	\$2,469	\$2,401
Other*	\$1,375	\$1,477	\$1,468	\$1,496	\$1,571
Overall average cost	\$1,939	\$1,988	\$2,016	\$2,143	\$2,180

A series of hourly rate increases set by the Ministry of the Attorney General took place between February 2010 and April 2015. Because cases take time to close, the impact of the hourly rate increases on average cost can be observed beyond 2015-16.

Average lifetime of a completed certificate (in months)

Area of law	2014-15	2015-16	2016-17	2017-18	2018-19
Criminal	6.9	6.6	6.9	7.6	7.5
Family	15.2	13.8	13.5	14.5	14.9
Immigration & refugee	12.1	8.9	8.8	11.0	15.7
Other*	3.2	3.5	3.2	3.3	3.6
Total	8.3	7.8	8.1	9.0	9.4

The average lifetime of a certificate can be influenced by court scheduling, legislative changes, the duration of legal proceedings (e.g., matters that go to trial have a longer lifetime), and a lawyer's billing practices (lawyers are provided an 18 month billing deadline from the day the certificate is issued).

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis is intended to assist readers in understanding the operating results and financial position of Legal Aid Ontario (LAO) as well as its strategic direction regarding the provision of services in the future.

This report should be read in conjunction with LAO's audited financial statements for the year ended March 31, 2019, prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), and the accompanying notes, which form a part of those statements.

Government funding of LAO

The provincial government reduced LAO's base funding by \$44.2M for 2018-19. This reduction was partially offset by a \$32.1M increase in Law Foundation of Ontario revenues, to \$79M in 2018-19, compared to \$46.9M in 2017-18.

Summary of LAO's financial position

LAO's operating surplus for the period ending March 31, 2019 is \$13.2M, compared to a surplus of \$11.4M last fiscal year. The net accumulated deficit is \$4.7M, compared to an accumulated deficit of \$18.6M at the beginning of the year.

Explanation of significant differences between fiscal years 2017-18 and 2018-19

Summary of revenues

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)	Notes
Government of Ontario	\$ 318,671	\$ 361,036	\$ (42,365)	1
Financial Eligibility	86,320	66,980	19,340	2
Law Foundation of Ontario	79,031	46,916	32,115	3
Client contributions	9,571	10,742	(1,171)	4
Client, other recoveries	1,048	1,081	(33)	
Investment income	872	415	457	5
Miscellaneous	360	485	(125)	
TOTAL REVENUES	\$ 495,873	\$ 487,655	\$ 8,218	

Summary of revenues notes

1&2. Government funding

(\$23.0M) unfavourable

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)	Notes
Base funding	\$ 300,659	\$ 344,849	\$ (44,190)	a
Criminal	4,114	3,339	775	
Bail funding	4,000	4,000	–	
Department of Justice	9,898	8,848	1,050	b
Sub-total	318,671	361,036	(42,365)	
Financial Eligibility	86,320	66,980	19,340	c
TOTAL MAG contributions	\$ 404,991	\$ 428,016	\$ (23,025)	

- a. LAO was informed on April 2018 that we needed to develop options to absorb a permanent \$4.2M funding reduction. During the summer of 2018 the provincial government implemented a spending and hiring freeze for all government related organizations. Then in January 2019 the Ministry of the Attorney General (MAG) announced that LAO would have to absorb an additional transfer payment reduction of \$40.0M.
- b. The Federal Department of Justice (DOJ) provided LAO with an additional \$1.1M funding in fiscal 2018-19 to offset costs incurred by LAO resulting from the increased demand for refugee services.
- c. Government of Ontario – Financial Eligibility (FE):

Revenues	2018-19 (in millions)	2017-18 (in millions)	Favourable/ (Unfavourable)
Certificate program	54.5	44.5	10.0
Clinics	17.3	9.8	7.5
Staff services	5.9	5.9	0.0
Administrative expenses	8.6	6.7	1.9
Total	86.3	66.9	19.4

Summary of revenues notes (continued)

1&2. Government funding (continued)

Expenditures related to Financial Eligibility (FE) were \$66.6M, which falls below the funding received, as follows:

Expenditures	2018-19 (in millions)	2017-18 (in millions)	Favourable/ (Unfavourable)
Certificate program	38.8	39.7	(0.9)
Clinics	16.2	9.9	6.3
Staff services	3.0	3.0	0.0
Administrative expenses	8.6	6.7	1.9
Total	66.6	59.3	7.3

The unexpended FE program funds, \$19.7M this year (\$86.3M less \$66.6M), was used to clear last year's deficiency of \$11.0M. LAO would have benefited from an excess of \$8.7M. However, with the budget reduction, \$8.8M for FE (disclosed in section 1(a) above) was reduced leaving a net cumulative excess of expenses of \$0.1M.

3. Law Foundation of Ontario **\$32.1M favourable**

In the 2018-19 fiscal year, Law Foundation of Ontario (LFO) revenues increased by \$32.1M, from \$46.9M to \$79M. This happened for two reasons:

- The LFO mixed-trust account balances continued to be high and finished the year with a balance of \$5.1B, and,
- In 2018-19 the Bank of Canada announced two (2) interest rate hikes of 0.25%, raising the prime rate to 1.75%.

4. Client contribution **(\$1.1M) unfavourable**

Revenue from client contributions decreased by \$1.1M, from \$10.7M to \$9.6M in the 2018-19 fiscal year. This is a normal and nominal fluctuation year over year.

5. Investment income **\$0.5M favourable**

Investment income increased by \$0.5M in the 2018-19 fiscal year. As in note 3, this is attributed to the two (2) increases of 0.25% in the interest rate, raising the prime rate to 1.75%, and higher cash balances as a result of the Law Foundation of Ontario's favourable revenue stream.

Summary of expenditures

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)	Notes
Certificate program	\$ 225,008	\$ 232,370	\$ 7,362	1
Staff office	20,134	20,393	259	
Sub-total	245,142	252,763	7,621	
Duty counsel	60,770	56,081	(4,689)	2
Clinic program	98,691	85,821	(12,870)	3
Service innovation projects	2,252	2,152	(100)	
Program support	27,597	25,928	(1,669)	4
Service provider support	7,067	6,421	(646)	
Administrative, other costs	41,187	47,042	5,855	5
TOTAL EXPENDITURES	\$ 482,706	\$ 476,208	\$ (6,498)	
Excess of revenues over expenses for the year	\$ 13,167	\$ 11,447	\$ 1,720	

Summary of expenditures notes

1. Certificate program

\$7.4M favourable

The \$7.4M decrease in expenditures broken down by area of law as follows:

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)	
Criminal – PCMO, GATCC, MCMO*	\$ 30,598	\$ 29,924	\$ (674)	2.3%
Criminal – all other	89,978	94,411	4,433	(4.7%)
Family	71,147	75,545	4,398	(5.8%)
Immigration & refugee	25,289	25,128	(161)	0.6%
Civil	7,996	7,362	(634)	8.6%
TOTAL	\$ 225,008	\$ 232,370	\$ 7,362	(3.2%)

*Please see below for a description of the PCMO, MCMO, and GATCC programs.

The following expenditures took place in fiscal 2018-19:

- Increase of \$0.7M in the Provincial Case Management Office (PCMO), Group Application and Test Cases Committee (GATCC), and Major Case Management Office (MCMO) criminal certificate program costs.
- A decrease of \$4.4M in all other criminal certificate program costs. After issuing approximately 67,700 certificates between 2015 and 2017, LAO issued over 7,500 (12%) fewer certificates in 2017-18 as a result of the legal eligibility policy suspension; a policy change that resulted in further reduction in expenses during fiscal 2018-19.
- A decrease of \$4.4M in family law certificate costs. After issuing approximately 30,200 certificates between 2015 and 2017, LAO issued over 3,200 (10.8%) fewer certificates in 2017-18; resulting in further reduction in expenses during fiscal 2018-19.
- An increased number of civil law certificates were issued, largely for Consent and Capacity Board matters, resulting in an increase of \$0.6M in civil law certificate costs.

Summary of expenditures notes

1. Certificate program (continued)

The \$0.7M increase in the criminal PCMO (GATCC, MCMO) program is broken down as follows:

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)
PCMO			
Certificate costs – MCM	2,335	2,085	(250)
Certificate costs – BCM	\$ 26,531	\$ 26,400	\$ (131)
MCMO			
Certificate costs	888	795	(93)
GATCC			
Certificate costs	844	644	(200)
TOTAL	\$ 30,598	\$ 29,924	\$ (674)

LAO's **Provincial Case Management Office (PCMO)** consists of the **Big Case Management (BCM)** and **Mid-level Case Management (MCM)** programs.

Complex cases that are expected to exceed \$20,000, or \$30,000 for homicides, are managed by the **BCM** program. Staff work with private lawyers to establish budgets for every stage of the proceeding and to ensure adequate resources are in place to permit the delivery of high-quality, cost-effective legal representation. Similar support is provided to private lawyers handling complex cases involving homicide, firearms, sex offences, terrorism and indictable appeals costing \$8,000 or more through the **MCM** program.

LAO's **Major Case Management Office (MCMO)** employs experienced lawyers to provide a range of litigation and representation services for serious cases that routinely cost over \$30,000 and/or where clients cannot find counsel who will accept legal aid certificates.

The **Group Application and Test Cases Committee (GATCC)** considers applications for certificates in legal proceedings with broad implications, which may determine, enforce or clarify important rights or obligations of all low-income Ontarians, specific groups, or disadvantaged communities.

Comparison of cost components with the prior period indicates a marginal increase in the cost of the PCMO, MCMO and GATCC criminal certificate programs in fiscal 2018-19.

Summary of expenditures notes (continued)

2. Duty counsel staff office **(\$4.7M) unfavourable**

Increases in duty counsel program expenditures in fiscal 2018-19 are the result of an increase in salaries as part of the Society of United Professionals collective agreement, along with an increase in per diem duty counsel expenditures resulting from the hiring freeze put in place in June 2018.

3. Clinic law program **(\$12.9M) unfavourable**

Clinic law program expenditures increased from \$85.8M to \$98.7M. Overall costs, including for general office technology and the Clinic Information Management System (CIMS) case management tool, increased by \$12.0M over 2017-18 levels. This increase is attributed to the expansion of LAO's Financial Eligibility (FE) threshold which gave more low-income Ontarians access to legal aid services. The increase of \$0.8M in student legal aid service society (SLASS) expenditures is due to additional funding provided for family law services.

4. Program support **(\$1.7M) unfavourable**

Program support includes regional operations, district offices, and LAO's Client and Lawyer Support Centre (CLSC). In fiscal 2018-19, the program increased from \$25.9M to \$27.6M as a result of:

- An increase of \$0.9M in district/area offices related to incremental increases in salary costs resulting from the negotiated agreement with the Society of United Professionals, as well as adjustments to the Ontario Public Service Employees Union agreements.
- An increase of \$0.8M in the CLSC due to increases in staffing put in place to reduce client wait times.

Summary of expenditures notes (continued)

5. Administration and other costs

\$5.9M favourable

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)
ADMINISTRATIVE AND OTHER COSTS			
Provincial office	\$ 38,001	\$ 36,355	\$ (1,646)
Amortization expense	1,610	2,700	1,090
Bad debt expense	1,576	7,987	6,411
TOTAL EXPENDITURES	\$ 41,187	\$ 47,042	\$ 5,855

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

- An increase of \$1.6M attributed mainly to the settlement of the negotiated agreement between the Society of United Professionals and LAO, including related retroactive salary increases, as well as adjustments to the Ontario Public Service Employees Union agreements.
- The decrease in amortization expense attributed to LAO following the government's expenditure directive which limited capital spending, and thus reduced amortization expense, for 2018-19.
- The decrease of \$6.4M in bad debts attributed to 100% direction and assignments write-offs in fiscal 2017-18 that was not required in 2018-19.

Balance sheet extracts

Explanations of significant changes

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)	Notes
ASSETS				
Cash and cash equivalents	\$ 24,328	\$ 21,722		
Short-term investments	25,265	20,196		
Sub-total	49,593	41,918	\$ 7,675	1
Other receivables	18,900	13,806	5,094	2
Capital assets	2,917	3,619	(702)	3
LIABILITIES				
Accounts payable and accrued liabilities	103,606	104,291	(685)	4
Net accumulated deficit	\$ (4,714)	\$ (18,583)	\$ 13,869	5

Notes

1. Increase in cash and short-term investments of \$7.7M resulted mainly from the 2018-19 surplus that allowed LAO to partially rebuild its cash reserves.
2. The increase in other receivables relates to the increase in Law Foundation of Ontario (LFO) revenues outstanding at year-end and an increase in the amount receivable from the Ministry of the Attorney General (MAG).
3. The decrease in capital assets is attributed to the discretionary spending freeze instituted by MAG.
4. The decrease in accounts payables is a result of the implementation of a faster payment policy to pay panel lawyers for certificate work performed.

The net accumulated deficit has decreased by \$13.9M largely due to the operating surplus of \$13.2M in 2018-19.

Net asset (deficit) position

LAO's March 31, 2019 net deficit position is \$(1.8M), consisting of:

- An opening net accumulated deficit of (\$18.6M).
- An operating surplus of \$13.2M.
- Investment in capital of \$2.9M, which represents net assets not available for other purposes because they have been used to fund the purchase of capital assets.

(\$000's)	2018-19	2017-18	Favourable/ (Unfavourable)
NET ASSETS / (DEFICIT)			
Opening net accumulated (deficit)	\$ (18,583)	\$ (30,897)	\$ 12,314
Operating surplus	13,167	11,447	1,720
Change in capital asset	702	867	(165)
Net accumulated deficit	(4,714)	(18,583)	13,869
Invested in capital	2,917	3,619	(702)
	\$ (1,797)	\$ (14,964)	\$ 13,167

Conclusion

The 2018-19 fiscal year presented some unforeseen financial challenges for Legal Aid Ontario (LAO). Even so, the organization managed a surplus of \$13.2M, representing a significant improvement in LAO's fiscal situation.

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 & Chief Executive Officer



Louis Dimitracopoulos
Chief Administrative Officer & Vice President

June 7, 2019



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, 2019 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 the LAO as at March 31, 2019 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 the 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 the LAO either intends to cease operations, or has no realistic alternative but to do so.

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

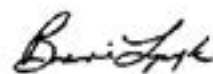
Auditor's Responsibilities for the Audit of the Financial Statements

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 the 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 the 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 the 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 7, 2019

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

Balance Sheet

ASSETS	March, 31 2019 (\$000's)	March, 31 2018 (\$000's)
Current assets		
Cash and cash equivalents	\$ 24,328	\$ 21,722
Investments (note 4)	25,265	20,196
Prepaid expenses and other assets	2,712	2,870
Client accounts receivable (note 3(a))	10,031	11,905
Other receivables (note 3(b))	18,900	13,806
	\$ 81,236	\$ 70,499
Long-term client accounts receivable (note 3(a))	19,886	17,445
Capital net assets (note 5)	2,917	3,619
TOTAL ASSETS	\$ 104,039	\$ 91,563

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 103,606	\$ 104,291
Long Term Liabilities		
Accrued pension liability (note 10)	\$ 2,230	\$ 2,236
Net Assets (Deficit)		
Net accumulated deficit	\$ (4,714)	\$ (18,583)
Invested in capital assets (note 7)	2,917	3,619
	(1,797)	(14,964)
TOTAL LIABILITIES AND NET ASSETS	\$ 104,039	\$ 91,563

On behalf of the board:



John McCamus
Chair, Legal Aid Ontario Board of Directors

Statement of Operations

For the year ended March 31

REVENUE	2019 (\$000's)	2018 (\$000's)
Total government funding (notes 1(a), 1(b))	\$ 404,991	\$ 428,016
Law Foundation of Ontario	79,031	46,916
Client contributions	9,571	10,742
Client and other recoveries	1,048	1,081
Investment income (note 4)	872	415
Miscellaneous income	360	485
TOTAL REVENUE	\$ 495,873	\$ 487,655

EXPENSES (NOTE 2)

Client Programs		
Certificate Program		
Criminal – Big Cases	\$ 30,598	\$ 29,924
Criminal – Other	89,978	94,411
Sub-total	120,576	124,335
Family	71,147	75,545
Immigration and refugee	25,289	25,128
Other civil	7,996	7,362
Sub-total	225,008	232,370
Settlement conferences	199	222
Family law offices	6,274	6,107
Integrated law offices	4,801	4,314
Criminal law offices	2,108	2,248
Refugee law office	3,971	4,246
Articling students	821	1,355
Nishnawbe-Aski Legal Service Corporation	1,960	1,901
Certificates	245,142	252,763

Statement of Operations (continued)

For the year ended March 31

	2019 (\$000's)	2018 (\$000's)
EXPENSES (continued)		
Duty counsel program		
Duty counsel fees and disbursements	58,247	53,974
Expanded duty counsel	2,523	2,107
Sub-total	60,770	56,081
Clinic program and special services		
Clinic law services (note 8)	91,459	80,113
Student legal aid services societies	5,609	4,796
Clinic information management project	1,623	912
Sub-total	98,691	85,821
Special innovation projects		
Other	2,252	2,152
Sub-total	2,252	2,152
Program support		
Regional operations	2,684	2,656
District/Area office services	15,260	14,349
Client and Legal Service Centre	9,653	8,923
Sub-total	27,597	25,928
TOTAL CLIENT PROGRAMS	434,452	422,745
Service provider support		
Research facilities	4,005	3,767
Lawyers' services and payments	3,062	2,654
Sub-total	7,067	6,421
Administrative and other costs		
Provincial office	38,001	36,355
Amortization	1,610	2,700
Bad debts	1,576	7,987
Sub-total	41,187	47,042
TOTAL EXPENSES	\$ 482,706	\$ 476,208
Excess of revenues over expenses for the year	\$ 13,167	\$ 11,447

Statement of changes in net assets (deficit)

For the year ended March 31

(\$000's)	Invested capital assets (note 7)	Accumulated deficit	2019 total	2018 total
Net assets (deficit), beginning of year	\$ 3,619	\$ (18,583)	\$ (14,964)	\$ (26,411)
Net change in capital assets	(702)	702	–	–
Excess of revenues over expenses for the year	–	13,167	13,167	11,447
Net assets (deficit), end of year	\$ 2,917	\$ (4,714)	\$ (1,797)	\$ (14,964)

Statement of cash flows

For the year ended March 31

CASH PROVIDED BY (USED IN)	2019 (\$'000's)	2018 (\$'000's)
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 13,167	\$ 11,447
Non-cash operating activity:		
Amortization of capital assets	1,610	2,700
Changes in non-cash balances:		
Accrued pension liability	(6)	(17)
Accrued interest on investments	(18)	(168)
Prepaid expenses and other assets	158	(381)
Client accounts receivable	1,874	2,393
Other receivables	(5,094)	2,183
Long-term client accounts receivable	(2,441)	2,679
Accounts payable and accrued liabilities	(685)	13,017
	\$ 8,565	\$ 33,853
INVESTING ACTIVITIES		
Redemption of Investment	\$ 31,000	\$ 5,000
Purchase of Investment	(36,051)	(20,000)
	(5,051)	(15,000)
CAPITAL ACTIVITIES		
Purchase of capital assets	\$ (908)	\$ (1,833)
Net increase in cash and cash equivalents during the year	2,606	17,020
Cash and cash equivalents, beginning of year	21,722	4,702
Cash and cash equivalents, end of year	\$ 24,328	\$ 21,722

Notes to Financial Statements

March 31, 2019

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 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.

Notes to Financial Statements (continued)

March 31, 2019

FINANCIAL INSTRUMENTS

Financial instruments are classified as either (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.

Notes to Financial Statements (continued)

March 31, 2019

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 the 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.

Notes to Financial Statements (continued)

March 31, 2019

USE OF ESTIMATES

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

1. Government funding

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

- a. The Corporation is economically dependent on the Province of Ontario – Ministry of the Attorney General. During the year, the Treasury Board reduced the base funding allocation to LAO, by \$44.2 million. Part of the government funding is for the Financial Eligibility (FE) program, and all amounts received have been spent. It is not expected that this program will be funded in future years. Total contributions recognized are as shown below:

	2019 (\$000's)	2018 (\$000's)
Total government funding (note 1)	\$ 404,991	\$ 428,016

- b. Included in total government funding for the year ended March 31, 2019 is an amount of \$64.3 million (2018 – \$62.6 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 (\$47.4 million), under the *Youth Criminal Justice Act*; Immigration and Refugee (\$16.9 million).
- 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 (continued)

March 31, 2019

2. Expenses by object

The table below provides totals for each expense category:

	2019 (\$000's)	2018 (\$000's)
Certificates	223,118	230,768
Duty counsel per diem	23,723	22,030
Clinic funding	97,996	84,230
Other transfer payments	1,960	1,901
Salaries and benefits	110,000	102,712
Leases	4,997	4,912
Bad debts, depreciation and other expenses	20,912	29,655
	\$ 482,706	\$ 476,208

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

Notes to Financial Statements (continued)

March 31, 2019

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, 2019 (\$000's)	Total	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days
Client accounts receivable	\$ 58,801	\$ 313	\$ 111	\$ 179	\$ 58,198
Less: impairment allowance	(28,884)	(169)	(59)	(110)	(28,546)
	\$ 29,917	\$ 144	\$ 52	\$ 69	\$ 29,652

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

Represented by:	2019 (\$000's)	2018 (\$000's)
Current (non-lien) client accounts receivable	10,031	11,905
Long-term (lien) client accounts receivable	19,886	17,445
	\$ 29,917	\$ 29,350

Notes to Financial Statements (continued)

March 31, 2019

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, 2019 (\$000's)	Total	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days
MAG protocol cases	\$ 5,353	\$ 685	\$ 727	\$ 441	\$ 3,500
DOJ protocol cases	361	111	150	100	–
HST receivable	3,336	3,336	–	–	–
Law Foundation of Ontario	9,589	9,589	–	–	–
Other receivables	261	–	–	–	261
Total other receivables	\$ 18,900	\$ 13,721	\$ 877	\$ 541	\$ 3,761

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	–	–	–
Law Foundation of Ontario	6,300	6,300	–	–	–
Other receivables	316	–	–	–	316
Total other receivables	\$ 13,806	\$ 11,100	\$ –	\$ 363	\$ 2,343

Notes to Financial Statements (continued)

March 31, 2019

4. Investments

	2019 (\$000's)	2018 (\$000's)
Guaranteed investment certificates	\$ 25,051	\$ 20,000
Accrued interest	214	196
	\$ 25,265	\$ 20,196

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, 2019 are in compliance with the statutory requirements. Short-term investments held of \$25.0 million (2018 – \$20.0 million) are invested at various rates up to prime less 2.45% and one at a fixed rate of 1.4%.

The Corporation earned investment income of \$0.9 million in 2019 (2018 – \$0.4 million).

5. Capital assets

	2019 (\$000's)		2018 (\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 199	\$ 92	\$ 114	\$ 91
Computer hardware	2,211	1,323	3,723	2,629
Leasehold improvements	4,320	2,419	8,019	5,573
Enterprise-wide software	17,913	17,892	17,938	17,882
	\$ 24,643	\$ 21,726	\$ 29,794	\$ 26,175
Net book value		\$ 2,917		\$ 3,619

Notes to Financial Statements (continued)

March 31, 2019

6. Accounts payable and accrued liabilities

	2019 (\$000's)	2018 (\$000's)
Legal accounts		
Accruals for billings received but not paid	\$ 15,818	\$ 22,233
Estimate for work performed but not yet billed	73,900	68,900
Rent inducements	2,039	1,613
Trade and other payables	8,374	8,644
Vacation pay	3,475	2,901
	\$ 103,606	\$ 104,291

7. 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:

	2019 (\$000's)	2018 (\$000's)
Balance, beginning of year	\$ 3,619	\$ 4,486
Purchase of capital assets	908	1,833
Amortization	(1,610)	(2,700)
Balance, end of year	\$ 2,917	\$ 3,619

Notes to Financial Statements (continued)

March 31, 2019

8. 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.

	2019 (\$000's)	2018 (\$000's)
Payment to and on behalf of clinics	\$ 91,459	\$ 80,113

Notes to Financial Statements (continued)

March 31, 2019

9. Commitments and contingencies

- a. Each certificate issued by the Corporation authorizes legal services to be performed within the tariff guidelines. As at March 31, 2019, management estimates certificates in the amount of \$71.0 million (2018 – \$65.9 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2019 over and above the billings received to date.
- b. The Corporation leases a vehicle, equipment, and various office premises at locations across the province. 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:

Year	Base rent (\$000's)	Operating costs (\$000's)	Vehicle & equipment (\$000's)	Total (\$000's)
2020	\$ 2,191	\$ 2,565	\$ 73	\$ 4,829
2021	1,769	2,272	69	4,110
2022	1,676	2,257	48	3,981
2023	1,493	2,123	32	3,648
2024	1,459	2,051	6	3,516
Thereafter	7,600	9,995	–	17,595
	\$ 16,188	\$ 21,263	\$ 228	\$ 37,679

- 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 (2018 – \$1.0 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.

Notes to Financial Statements (continued)

March 31, 2019

10. 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 971 (2018 – 970) employees. Pension expense for the year relating to this component of the plan was \$7.5 million (2018 – \$7.1 million). LAO has now transitioned all employees to nine percent contribution of the employees' pensionable earnings and matches this contribution under this plan.

Defined Benefit Component

The defined benefit component of the plan covers a total of 16 employees; there are two (2) active participants (2018 – 3) and 14 retirees (2018 – 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, 2019 (2018 – 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 January 1, 2017, the next actuarial valuation of the Plan for funding purposes will be prepared by January 1, 2020. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

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 \$0.1 million. The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	2019 (\$000's)	2018 (\$000's)
Accrued benefit obligation	\$ 3,606	\$ 3,609
Fund assets at market value	4,422	4,332
Funded status – plan surplus	816	723
Unamortized net actuarial loss (gain)	(56)	(43)
Net pension asset	760	680
Valuation allowance, beginning of year	(680)	(606)
(Increase) decrease valuation allowance	(80)	(74)
Valuation allowance, end of year	\$ (760)	\$ (680)

Notes to Financial Statements (continued)

March 31, 2019

10. Pensions (continued)

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

	2019 (\$000's)	2018 (\$000's)
Current period benefit cost	\$ 18	\$ 26
Amortization of actuarial losses (gains)	4	(20)
Interest revenue	(39)	(39)
	\$ (17)	\$ (33)

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

	2019	2018
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:

	2019 (\$000's)	2018 (\$000's)
Employer contributions	\$ 64	\$ 40
Employee contributions	7	10
Benefits paid	213	188

Notes to Financial Statements (continued)

March 31, 2019

10. 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, 2019.

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

	2019	2018
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 (2018 – \$0.10 million). The accrued benefit obligation and the accrued benefit liability as of March 31, 2019 was \$2.23 million (2018 – \$2.24 million). During the year, the Corporation made \$0.10 million (2018 – \$0.10 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2019 (\$000's)	2018 (\$000's)
Supplementary Executive Benefit Plan	(2,230)	(2,236)

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

Notes to Financial Statements (continued)

March 31, 2019

12. 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 3).

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.

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 \$25.0 million (2018 – \$20.0 million) invested in Guaranteed Investment Certificates (GIC), at rates of up to prime minus 2.35% with maturity dates to January, 2020.

13. Comparative figures

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

Legal Aid Ontario

40 Dundas St. West, Suite 200

Toronto, ON M5G 2H1

1-800-668-8258

media@lao.on.ca

www.legalaid.on.ca



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AIDE JURIDIQUE ONTARIO