



LEGAL AID ONTARIO  

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AIDE JURIDIQUE ONTARIO

**2019 – 2020  
Annual Report**

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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](mailto:info@lao.on.ca)  
 Website: [www.legalaid.on.ca](http://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.

## Letter to the minister

September 18, 2020

The Honourable Doug Downey  
Attorney General of Ontario  
720 Bay Street, 11th floor  
Toronto, Ontario M7A 2S9

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, 2020.

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

Sincerely,



Charles Harnick  
Chair, Legal Aid Ontario Board of Directors

# LEADERSHIP MESSAGES

# Leadership messages

## Message from the chair

The fiscal year 2019-20 marked my first twelve months as chair of Legal Aid Ontario. They were tumultuous, to say the least.

The year began in April 2019 with a \$133 million reduction to LAO's budget. In December, the first major revision to the *Legal Aid Services Act* since I was Attorney General, more than two decades ago, was tabled in the Ontario legislature. Just as the fiscal year came to a close in March 2020, the COVID-19 pandemic took hold and we had to rethink our service delivery model on an unprecedented scale in response to the global health crisis.

It was a year with great difficulty. Nonetheless, through all of this—from the budgetary crises, to modernization, legislative changes, and providing services during a pandemic—LAO's focus and commitment on serving our clients was unwavering.

Client service is the bedrock of LAO. Every day, our duty counsel, private bar lawyers, clinics, staff and executive work tirelessly to make sure that the low-income Ontarians we serve get the best possible legal advice. Time and time again our work proves to be a cost-effective service benefiting all Ontarians. A person assisted through legal aid is less likely to end up in crisis, dependent on other social services down the road. From representation in family and criminal courts, to mental health and housing tribunals, refugee hearings and more, our work matters.

I am grateful to our CEO, David Field; to our past-chair, John McCamus, who helped me transition into the role of chair during such a difficult time; to our board and those who volunteer on its committees; and, to our staff, service providers and stakeholders for your expertise, hard work, and steadfast commitment to our clients. I am confident that we will meet every challenge ahead and continue to help those who need a voice in our legal system with the same diligence and fervor demonstrated throughout this demanding year.

Sincerely,



Charles Harnick, Q.C., L.S.M  
Chair, LAO Board of Directors

## Message from the CEO

The 2019-20 fiscal year was full of changes for Legal Aid Ontario (LAO). Some of the changes during 2019-20 were difficult. In April 2019, we were informed that our funding allocation would be reduced. This meant we had to address the question of how to provide high-quality legal aid services in an even more cost-effective and efficient way. To do this we re-examined every aspect of our work, prioritizing frontline client service.

A more positive change came with the tabling of the revised *Legal Aid Services Act* in December 2019. The updated legislation—last revised in 1998—will give LAO greater scope to develop and adapt services and policies to more responsively serve the needs of clients, and more efficiently work with service providers. It offers opportunities for innovation and allows us to address gaps in the justice system. The proposed changes to the act would also improve continuity of service across the province and reaffirm LAO's status as an independent corporation accountable to the government and people of Ontario.

I am grateful to the Attorney General, Doug Downey, and the Ministry of the Attorney General for their efforts in drafting and supporting this important legislation. I also want to thank the federal government for their support of LAO's refugee and criminal law programs.

LAO staff deserve commendation and thanks for their unyielding ingenuity and hard work during a year of unprecedented challenges that concluded with inventing a new service delivery model in the face of a global pandemic. LAO's collective focus steadfastly remained focused on helping society's most vulnerable. I am profoundly grateful for the privilege to lead such a remarkable group of people.

Lastly, I want to thank LAO's management team and our board, led by its new chair, Charles Harnick, for your vision and guidance over the past twelve months.

I am committed to keeping everyone informed as we proceed to meet our challenges in the future. The work that LAO does will continue to be important, as will our role to ensure all Ontarians have access to justice.



David Field  
President and CEO, Legal Aid Ontario

# ABOUT LAO

## About LAO

### 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
- Refugee and immigration 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, summary legal advice, 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 59 general legal clinics and 13 specialty clinics across the province, at \$64.8 million and \$15.0 million respectively. General service clinics provide legal services to help low-income people and communities meet basic needs: a source of income, a home, and human rights. Specialty clinics focus on specific areas of law, serving as a resource for other clinics and/or helping clients who are marginalized (e.g., seniors, people living with HIV/AIDS, the Black community).

### Student Legal Aid Services Societies (SLASS)

LAO also funds SLASS clinics operating out of Ontario's seven law schools. Full-time lawyers supervise volunteer law students providing legal advice and representation to clients with landlord and tenant issues, immigration cases, minor criminal matters, etc.

## 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	Appointed by	Date	End date	Remuneration / expenses paid in 2019-20
Charles Harnick, Chair	Attorney General (AG)	April 2019	April 2021	\$145,384.60
John McCamus		July 2007	May 2019	\$40,384.61
Judy Mintz	AG	March 2020	March 2023	\$1,500.00
Nancy Cooper	Law Society of Ontario (LSO)	Feb. 2007	Feb. 2020*	\$7,312.50
Christa Freiler	LSO	July 2015	July 2020*	\$20,812.50
Carol L. Hartman	LSO	Sept. 2015	Sept. 2020	\$1,687.50
Malcolm Heins	AG	June 2019	June 2021	\$19,500.00
Peter Owsiany	AG	Dec. 2018	Dec. 2020	\$3,750.00
Michel Robillard	AG	July 2015	July 2020*	\$8,625.00
Sean Robichaud	LSO	Dec. 2018	Dec. 2020	No remuneration/ expenses paid.
David Wexler	AG	June 2019	June 2021	\$13,875.00
Ann Marie Yantz	LSO	March 2017	March 2019*	\$8,250.00
David Field, President & CEO/ Ex officio board member	LAO Board of Directors	Jan. 2016	N/A	N/A

\*Serving at the pleasure of the lieutenant governor.

## Board committees

### Advisory committees

Nine committees made up of 90 members of the community who 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

### 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

Decision 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 who make budget recommendations for criminal cases that are anticipated to cost more than \$75,000.

## Board governance

LAO's board governance structure includes four committees: audit and finance, operations, human resources, and nominating and corporate governance. The committees review matters brought forward by management, and make recommendations to the board of directors, in their respective areas of responsibility. Each committee has a charter setting out its mandate, with the chair responsible for reporting to the full board of directors. The committee membership is as follows:

### Audit and Finance

- Carol Hartman (chair)
- Peter Owsiany
- Michel Robillard
- Malcolm Heins
- Christa Frieler
- Charles Harnick (non-voting)
- David Field (ex officio)

### Operations Committee

- Malcolm Heins (chair)
- Christa Frieler
- Sean Robichaud
- Charles Harnick (non-voting)
- David Field (ex officio)

### Human Resources

- David Wexler (chair)
- Ann Marie Yantz
- Judy Mintz
- Charles Harnick (non-voting)
- David Field (ex officio)

### Nominating and Governance Committee

- Charles Harnick (chair)
- John McCamus
- Judy Mintz
- Nancy Cooper
- Christa Frieler
- Carol L. Hartman
- Malcolm Heins
- Peter Owsiany
- Michel Robillard
- Sean Robichaud
- David Wexler
- Ann Marie Yantz
- David Field (ex officio)

## Modernization

Much has changed in the more than 20 years since the *Legal Aid Services Act (LASA), 1998*, which governs Ontario's legal aid system, became law. Many studies and LAO's own client surveys show that the legal aid system and the justice system as a whole are complex and difficult to navigate.

LAO's strategic plan, coupled with amendments to *LASA* (ultimately passed in the summer of 2020, establishing the *Legal Aid Services Act, 2020*), provided LAO with an opportunity to substantively review and overhaul antiquated systems, programs and services.

## The Legal Aid Modernization Project

The Legal Aid Modernization Project (Modernization) was established to transform the delivery of the legal aid system to find better ways to provide services to more low-income Ontarians and to support financial sustainability over the long-term.

Modernization will be a continuous process for LAO as we strive to effectively and responsively serve clients. Some of the intended outcomes of Modernization include:

- Continually improving clients' experience and ensuring every transaction/ interaction, both internal and external, is meaningful and necessary. Particular consideration will be given to Indigenous and racialized Ontarians. Where possible, digital service should be available first, while recognizing that, for many of our clients, in-person service will always be the best route.
- Turning LAO into a 24/7 access to justice centre that provides high-quality, timely, and easily-accessible legal services to low-income Ontarians.
- Ongoing scrutiny of LAO's operations to eliminate unproductive and outdated policies, processes, and requirements that can impose on clients and disrupt their experience.
- Responding to the new *Legal Aid Services Act, 2020*
- Aligning LAO's business practices and relationships with service providers with public sector norms, in a framework of appropriate governance and accountability for public funds.

While LAO's own Modernization is not tied to justice system modernization, it may well contribute to a more modern justice system.

## Core client strategies

LAO's core client strategies were established to address unmet legal needs of client groups who are over-represented and unequally treated in the justice system. Through the following strategies, LAO works to improve access to justice for all:

- Aboriginal Justice Strategy (AJS)
- Racialized Clients Strategy (RCS)
- Domestic Violence Strategy (DVS)
- Mental Health Strategy (MHS)
- Prison Law Strategy (incarcerated clients) (PLS)
- Clients in custody awaiting a bail hearing or trial (Bail)

These strategies have enabled LAO to:

1. Understand the particular legal needs of these client groups.
2. Implement and fund services and initiatives to meet unmet needs.
3. Promote systemic improvements to the justice system through stakeholder partnerships and active involvement in provincial and federal initiatives.

LAO is committed to the success of these strategies. That is why associated accountabilities are embedded within the mandates of every division of our organization. Priorities are listed below alongside the strategy impacted and the division responsible.

Learn more about each strategy at [www.legalaid.on.ca](http://www.legalaid.on.ca).

Strategy impacted	Priorities and objectives	Division responsible
All	Develop effective methodology for measuring and analyzing service quality and outcomes. Particular attention will be paid to the appropriateness of services provided to Indigenous, racialized, and newcomer community members.	Strategy and Public Affairs Corporate Services
All	Application of the Racial Equity Impact Assessment (REIA) tool to ensure that the impact of decision-making and planning processes on Indigenous, Black, and other racialized communities is considered at every stage.	General Counsel and Compliance
All	Multi-lingual informational materials explaining what clients can expect from LAO panel lawyers, how to file a complaint and/or change lawyers, and the benefits of Gladue.	Strategy and Public Affairs

Strategy impacted	Priorities and objectives	Division responsible
PLS / Bail RCS / AJS MHS	Development of a data collection tool to support the identification, tracking, and forecasting of incarcerated client need (other than bail).	Regional Services Central Operations
AJS	Creation of a community council consisting of Elders/ Knowledge Keepers, youth, and representatives of different Indigenous Nations and Indigenous staff across Ontario to advise on all matters of policy and training.	Strategy and Public Affairs
AJS / Bail PLS	Evaluation of Gladue panel standards and certificate enhancement in collaboration with Indigenous communities to ensure the best and most appropriate representation possible for Indigenous clients.	Central Operations
Bail / AJS RCS / MHS	Training to be completed by all LAO panel and staff lawyers by 2022, including: <ul style="list-style-type: none"> <li>• The use of Gladue at bail</li> <li>• Culturally-appropriate interviewing techniques</li> <li>• Effective cross-cultural communication</li> <li>• Collection, documentation, and distribution of culturally-appropriate supports to those seeking bail</li> </ul>	Regional Services Strategy and Public Affairs Corporate Services
DVS	Establish/participate in a province-wide working group of agencies supporting victims/survivors of domestic violence to address client concerns, streamline access to emergency advice services, develop a screening tool, etc.	Strategy and Public Affairs
ALL	Mandatory core competency training and certification in serving clients experiencing mental health challenges for all legal aid service providers.	Regional Services Strategy and Public Affairs Corporate Services
PLS / AJS RCS / MHS	In collaboration with community partners, develop public legal information for people that have just entered/exited the prison system, e.g., rights while incarcerated, available resources, and Gladue principles.	Strategy and Public Affairs



## Equity, Diversity and Inclusion (EDI)

LAO values the diversity of its staff, stakeholders and clients across Ontario. The EDI initiative was established in 2019-20 to guide LAO's efforts to foster an inclusive and diverse workplace that reflects the people, cultures and languages of the communities we serve.

### 2019 - 20 accomplishments

- EDI initiative launched
- Diversity Officer hired to operationalize LAO's commitment to EDI
- EDI staff committee established
- Accessibility committee established
- *Accessibility for Ontarians with Disabilities Act (AODA)* training for all LAO staff
- LAO achieves AODA compliance
- Training sessions about equity, diversity, and inclusion topics
- Creation of a calendar recognizing multi-cultural holidays, observances, and EDI learning opportunities.

### 2020 - 21 goals

- Creation of a multi-year EDI and accessibility plan
- Diversity demographics survey
- Creation of EDI staff sub-committees
- Diversity training courses/workshops (minimum of three)

## Year in review

### Q1 April - June, 2019

- **LAO welcomes new board chair (April)**

Charles Harnick commenced his role as chair of LAO's Board of Directors.

- **New funding envelope (April)**

Shortly after the close of LAO's 2018-19 fiscal year, the provincial government announced their 2019 budget which included a \$133 million reduction in funding to LAO. In response, LAO implemented an aggressive, broad-based cost savings strategy resulting in \$75 million in on-going savings with one-time costs of \$31 million. Numerous of these cost-saving measures were implemented in the first quarter of the year, including:

- An administrative budget reduction of 10% to be achieved through administrative efficiencies, including a voluntary exit program
- Reallocation of the legal clinic budget recognizing areas with the highest client-facing need
- Interim changes to refugee and immigration services
- Revised coverage and policies for criminal, family, and mental health legal aid certificates
- Duty counsel service changes

More information is provided in our [Spring quarterly report](#).

- **Mandate letters**

In April, LAO published vice president mandate letters, outlining key responsibilities and identifying the focus of our work throughout the year, for the first time.

- **Commitment to diversity**

LAO hired its first diversity officer to operationalize our commitment to equity, diversity and inclusion.

- **Law Foundation of Ontario (LFO) grants LAO support**

The LFO provided a one-time grant of \$15 million to help LAO minimize our deficit and address transition costs following the change to our funding envelope.

- **Expanded access to legal aid**

On April 1, 2020, LAO raised the eligibility threshold for our certificate program and clinic law services as part of a multi-year commitment to give more low-income Ontarians access to legal aid.

## Year in review (continued)

### Q2 July - September, 2019

- **LAO restores immigration and refugee services**  
In August 2019, LAO fully restored immigration and refugee services for the remainder of the fiscal year following receipt of \$25.7 million in one-time funding for immigration and refugee services from the federal government.
- **New district structure for LAO**  
In September, LAO moved to a new district structure that very closely matches the Ontario Court of Justice (OCJ) judicial districts to improve efficiency of client service. The new districts are:
  - **North District:** Kenora, Rainy River, Thunder Bay, Cochrane, Algoma, Timiskaming, Sudbury, and Parry Sound.
  - **West District:** The counties of Essex, Lambton, Chatham-Kent, Bruce, Grey, Huron, Perth, Oxford, Elgin, Middlesex, Wellington and the Region of Waterloo.
  - **Central West District:** Norfolk, Haldimand, Brant, Hamilton, Niagara, Halton, Peel and Dufferin.
  - **Central East District:** Haliburton, Bracebridge, Peterborough, Coburg, Durham, Kawartha Lakes, Orillia, Newmarket and Barrie.
  - **East District:** Hastings, Lennox and Addington, Frontenac, Leeds and Grenville, Lanark, Renfrew, Ottawa, Carleton, Prescott and Russell, Stormont, Dundas and Glengarry.
  - **Toronto District:** East York, Etobicoke, North York, Scarborough, Old Toronto.

### Q3 October - December, 2019

- **New legislation for LAO**  
In December, LAO welcomed the provincial government's announcement of a new *Legal Aid Services Act*, a bill that, if passed, would establish a new framework in which we deliver legal aid services.
- **New coverage for PRRA hearing preparation and attendance**  
Also in December, LAO added new certificate coverage for hearing preparation and attendance for all clients scheduled for a pre-removal risk assessment (PRRA) hearing. This change followed Bill C-97 amendments to the *Immigration and Refugee Protection Act* that introduced mandatory hearings in some PRRA.
- **Additional family duty counsel services**  
In November, LAO added several new family duty counsel services including assistance with child protection matters for financially-eligible clients in jurisdictions where clients are unable to retain a lawyer in a timely manner.

### Q4 January - March, 2020

- **Case management pilot (February)**  
LAO's expanded case management pilot for family law and *Child, Youth and Family Services Act* (CYFSA) matters launched with the aim of increasing early accountability and oversight of high-cost, complex civil matters.
- **Racialized Communities Strategy (RCS)**  
LAO's RCS final paper and action plan, the result of a three-year consultation with clients, staff, stakeholders and communities about the experience of racialized people in the justice system and LAO's role within it, was published in March.
- **COVID-19 pandemic**  
LAO spent the last quarter of 2019-20 adapting to the fluid public health situation, working remotely and caring for ourselves and others.
  - To ensure the health and safety of our staff and per-diem lawyers amidst rising rates of community spread of COVID-19, LAO made the difficult but necessary decision to close all office locations, including those in courthouses, on March 20 until further notice.
  - Duty counsel staff and per diem lawyers continue to provide services remotely.
  - Certificate eligibility extended to inmates, under both provincial and federal legislation, seeking early release due to the high-risk of contracting COVID-19 while incarcerated.
  - Service changes were implemented starting in March 2020 to increase supports for those hit hardest by the social, health, and economic impact of this crisis, including:
    - Revised measures for financial and legal eligibility testing, including the waiving of financial and legal assessments for in-custody accused, victims of domestic violence, families with Children's Aid Society matters, and detained psychiatric patients.
    - Temporary relief of monthly contributions payments and/or liens in place upon request for clients with existing matters.
    - Expanded certificate coverage for psychiatric patients, including for emergency/urgent treatment applications on Consent and Capacity Board (CCB) appeals to the Superior Court of Canada.
    - New three-hour certificate authorization to respond to June 2020 Immigration and Refugee Board and Refugee Appeal Division requests for specific or updated submissions.
    - Additional coverage for lawyers attending new mandatory judicial pre-trials to address the backlog of adjourned criminal law cases.

# KEY PERFORMANCE INDICATORS

## Key Performance Indicators

LAO's performance indicator targets were established prior to the beginning of the 2019-20 fiscal year. The ability to achieve those targets was adversely affected by the \$133 million reduction in provincial government funding, and the subsequent decisions and service changes that LAO had to make in order to spend within its new funding envelope.

### Organizational health

KPI	Measurement frequency	Last measured	Target	2018-19	2019-20
Turnover	Annual	Q4 2019-20	10%	11.5%	14.7%
Staff to management ratio	Annual	Q4 2019-20	10 to 1	8.0 to 1	7.6 to 1
Average sick days used per employee (incidental + short term)	Annual	Q3 2019-20	10.1 days	10.6 days	11.8 days
Employee engagement	Annual	Q4 2018-19	72%	67%	67%

### Financial indicators

KPI	Measurement frequency	Last measured	Target	2018-19	2019-20
Balanced budget	Annual	2019-20	No deficit	\$13.2M surplus	\$14.4M surplus
Debt position	Annual	2019-20	No accumulated deficit	(\$4.7M) deficit	\$10.4M accumulated surplus
Cash flow	Annual	2019-20	\$15M cash	\$49.6M balance	\$68.0M balance
% of expenditures spent on administration	Annual	2019-20	11%	10.2%	9.7%

## Service

KPI	Measurement frequency	Last measured	Target	2018-19	2019-20
% of area office appeals heard within 3 days	Annual	Q4 2019-20	80%	60%	68.9%
Acceptance rate for certificate applications	Annual	Q4 2019-20	87%	85%	88.1%
% of calls answered within 3 minutes (L1*)	Annual	Q4 2019-20	80%	70%	57.1%
% of calls answered within 3 minutes (LSC*)	Annual	Q4 2019-20	80%	84%	92.9%
% of calls answered within 3 minutes (In-custody)	Annual	Q4 2019-20	80%	64%	71.9%
% of calls answered within 20 minutes (L2*)	Annual	Q4 2019-20	80%	63%	69.5%
Overall client satisfaction (% positive responses)	Annual	Q4 2019-20	80%	81%	80.1%
Overall lawyer satisfaction (% positive responses)	Annual	Q3 2019-20	45%	52%	43.0%

*\*Please see the call centre section of this report for descriptions of the roles and responsibilities of L1, L2, In-custody, and lawyer service centre agents.*

# ANALYSIS OF OPERATIONAL PERFORMANCE

# Analysis of operational performance

We believe that a good analysis must start with accurate and well-defined data. Where possible, we have provided information going back 10 years. LAO's core service data can be downloaded in a machine-readable format at [www.legalaid.on.ca](http://www.legalaid.on.ca).

The reduction to LAO's budget in April 2019, and resulting staffing changes, affected the number of people that LAO could help in 2019-20 and the speed at which the organization could do so.

## 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	2019-20
Phone – Tier 1	260,146	295,186	285,154	288,469	283,636
Phone – Tier 2	92,778	114,505	100,310	111,694	111,049
Phone – In-custody clients	33,984	31,827	32,822	34,842	37,295
Phone – Lawyer Service Centre	47,208	44,409	46,538	44,230	40,058

#### Tier 1 (L1)

Agents in Tier 1 of LAO's call centre help 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.

#### Tier 2 (L2)

Tier 2 agents conduct an in-depth analysis of a client's legal needs, financial situation and case details to determine eligibility for legal aid services. Their responsibilities include, but are not limited to: processing applications, issuing certificates, making referrals, and providing enhanced public legal information.

#### In-custody clients

LAO also offers a service dedicated to helping people who are incarcerated across the province. Staff take calls directly from inmates to determine legal aid eligibility, process applications and issue certificates as well as conduct status checks on submitted applications.

#### Lawyer Service Centre (LSC)

Lawyers who do legal aid work can contact the call centre for information on, including but not limited to: tariff, billing, account status and technical support. This group serves as a first point of contact for most lawyers' inquiries.

### Average call wait time (in minutes)

Service level / type	2015-16	2016-17	2017-18	2018-19	2019-20
Phone - Tier 1	04:01	02:07	08:06	03:29	04:56
Phone - Tier 2	24:22	09:02	34:22	21:42	16:17
Phone - In-custody clients	03:46	01:02	02:36	02:38	02:03
Phone - Lawyer Service Centre	01:17	02:43	02:06	01:24	00:46

## 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 lawyer can speak to duty counsel to get information about legal proceedings, summary legal information, and, in some cases, legal advice and representation. Duty counsel 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.

### Clients served by duty counsel

Area of law	2015-16	2016-17	2017-18	2018-19	2019-20
Criminal	439,030	460,988	508,679	516,160	516,759
Civil*	154,337	144,989	139,977	138,063	101,927
<b>Total</b>	<b>593,367</b>	<b>605,977</b>	<b>648,656</b>	<b>654,223</b>	<b>618,686</b>

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

Duty counsel offices 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 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	2015-16	2016-17	2017-18	2018-19	2019-20
Applications made	125,695	129,369	119,300	129,360	120,335

### Certificate application outcomes

Outcomes	2015-16	2016-17	2017-18	2018-19	2019-20
Approved	108,259	112,109	102,873	111,588	105,308
Refused	12,825	13,182	13,159	14,024	13,010
Other	8,056	7,887	6,404	6,380	5,904
<b>Total outcomes recorded</b>	<b>129,140</b>	<b>133,178</b>	<b>122,436</b>	<b>131,992</b>	<b>124,222</b>

This table shows the total number of application decisions (outcomes) that LAO recorded from fiscal years 2015-16 to 2019-20. Application outcomes labeled 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	2015-16	2016-17	2017-18	2018-19	2019-20
Same-day	90,991	93,247	85,652	92,533	87,242
2 to 7 days	9,415	10,144	10,023	12,264	13,134
8 to 14 days	6,475	6,337	6,199	6,835	5,787
15 to 30 days	10,287	10,098	9,225	9,522	8,432
Over 30 days	11,972	13,352	11,337	10,838	9,627
<b>Total outcomes recorded</b>	<b>129,140</b>	<b>133,178</b>	<b>122,436</b>	<b>131,992</b>	<b>124,222</b>
<b>Same-day outcomes</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>

## 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	2015-16	2016-17	2017-18	2018-19	2019-20
Criminal	63,688	63,855	56,777	60,408	60,097
Family	30,195	30,303	27,049	29,401	24,055
Immigration and refugee	9,268	12,658	13,687	16,181	15,502
Other*	5,108	5,293	5,360	5,598	5,654
<b>Total certificates issued</b>	<b>108,259</b>	<b>112,109</b>	<b>102,873</b>	<b>111,588</b>	<b>105,308</b>

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

### 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	83%	81%	79%	80%	78%
Immigration & refugee	96%	94%	94%	94%	94%
Other*	96%	96%	95%	95%	95%

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

Note: 2019-20 figures are not yet available as clients may still be in the process of finding a lawyer to represent them.

Once a certificate is issued, a 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.

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	2015-16	2016-17	2017-18	2018-19	2019-20
Number of lawyers	3,321	3,440	3,430	3,418	3,326

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 would 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	2015-16	2016-17	2017-18	2018-19	2019-20
\$100K to \$250K	589	637	625	639	665
Over \$250K	59	78	81	94	73
<b>Total</b>	<b>648</b>	<b>715</b>	<b>706</b>	<b>733</b>	<b>738</b>

## Certificate program (continued)

The following table shows the average (mean) cost of all certificates completed during fiscal 2016-20, 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	2015-16	2016-17	2017-18	2018-19	2019-20
Criminal	\$1,674	\$1,664	\$1,787	\$1,815	\$1,750
Family	\$3,187	\$3,259	\$3,335	\$3,496	\$3,525
Immigration & refugee	\$2,742	\$2,631	\$2,469	\$2,401	\$2,076
Other	\$1,477	\$1,468	\$1,496	\$1,571	\$1,453
<b>Overall average cost</b>	<b>\$1,988</b>	<b>\$2,016</b>	<b>\$2,143</b>	<b>\$2,180</b>	<b>\$2,089</b>

The fiscal year 2019-20 saw a decrease in the overall average case cost which was primarily driven by a change in the average cost of immigration and refugee certificates. The average cost of refugee certificates saw a large decrease as LAO restricted its tariff for Refugee Protection Division (RPD) proceedings for several months during the fiscal year.

### *Average lifetime of a completed certificate (in months)*

Area of law	2015-16	2016-17	2017-18	2018-19	2019-20
Criminal	6.6	6.9	7.6	7.5	7.6
Family	13.8	13.5	14.5	14.9	15.1
Immigration & refugee	8.9	8.8	11.0	15.7	14.7
Other	3.5	3.2	3.3	3.6	3.5
<b>Total</b>	<b>7.8</b>	<b>8.1</b>	<b>9.0</b>	<b>9.4</b>	<b>9.5</b>

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).

# AUDIT AND COMPLIANCE SERVICES



# Audit and compliance services

As a government-funded agency enabling access to justice for people in need across Ontario, LAO is accountable for the use of public funds. Our compliance departments help LAO to ensure public money is spent in a responsible way.

The Audit and Compliance Unit conducts audits of lawyer accounts to ensure compliance with LAO billing rules. Findings help inform improvements to the billing process as well as communication and training for LAO panel members.

In 2019-20, in collaboration with Ontario Ministry of the Attorney General, the Audit and Compliance Unit successfully implemented an electronic process for obtaining court informations directly from court offices. These documents are used as part of the audit process to verify lawyer billings. The new initiative helped to make the audit process more effective and reduce the administrative burden on panel lawyers.

There are two types of audits:

1. Random: Accounts are randomly selected each month using a computer algorithm. The Audit and Compliance Unit is mandated to complete 1,200 random audits each fiscal year.
2. Targeted: These audits look at a specific lawyer, group of lawyers, or a type of billing, based on a potential risk factor. Risk factors may include a high number of billing errors flagged in the past or if billing appears to be inconsistent with information available to the Audit and Compliance Unit from other government organizations.

## Audits completed

	Random		Targeted	
	2018-19	2019-20	2018-19	2019-20
Accounts audited	1131	1258	1238	737

When an audit confirms that a lawyer's account does not comply with LAO's billing rules, funds are recovered and the lawyer is provided with information to help submit future bills accurately. Where a lawyer's account is validated, the file is closed.

Where evidence of serious billing misconduct is detected as a result of an audit, the matter may be referred to the Investigations Department. The department is mandated to protect LAO from misappropriation of assets and to enforce the *Legal Aid Services Act* and LAO rules and policies. Investigations are conducted into matters involving panel lawyers, clients, and LAO staff. The department also serves as LAO's liaison to the Law Society of Ontario.

Panel lawyer investigations where findings of non-compliance are made may result in a recovery of overpaid funds, a caution or warning, panel management sanctions or a referral to the Law Society of Ontario.

## Files closed by the Investigations Department

	2018-19	2019-20
Total number of files pertaining to panel lawyers	92	135

The mandate of the Complaints Department is to ensure that complaints and inquiries about LAO get recorded, tracked and resolved according to LAO's complaints policy. Complaints are a source of valuable information for all aspects of LAO's work and allow the complaints department to recommend systemic process and policy improvements based on findings and lessons learned from their findings.

In 2019-20, 3,141 initial complaints were registered. Approximately 15% (465) were substantiated. Most related to LAO panel lawyers and were made by legally-aided clients requesting a change of solicitor.

## Complaints

Reason for complaint	Complaints vs. (substantiated complaints)	
	2018-19	2019-20
Services provided by panel lawyers	2855 (538)	2972 (446)
Duty counsel services	18 (5)	19 (2)
LAO policy	102 (6)	94 (9)
LAO staff	20 (5)	28 (8)
Other	6	27
Accessibility	0	1
<b>Total</b>	<b>3001 (554)</b>	<b>3141 (465)</b>

LAO has a two-stage complaint resolution process. A person not satisfied with the initial resolution of their complaint may request another review.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Management discussion and analysis

The management discussion and analysis is intended to assist readers in understanding the operating results and financial position of Legal Aid Ontario (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, 2020, prepared in accordance with Canadian generally accepted accounting principles (GAAP), and the accompanying notes, which form a part of those statements.

### Impact of COVID-19

The biggest impact of the COVID-19 pandemic on LAO was the three Bank of Canada (BOC) rate changes that occurred in March 2020 of 50 basis points each. These changes have the potential to significantly reduce LAO's revenue that comes from the Law Foundation of Ontario (LFO) in the 2020-21 year and beyond. While LAO's original 2020-21 business plan had contemplated LFO revenues of \$91 million, these BOC changes will see reductions in the (\$60 million) to (\$70 million) range from LFO. The revenue could potentially go lower if house prices and sales reduce further as a result of COVID-19.

LAO's LFO revenues were \$105.7 million in 2019-20 (with \$15 million being a one-time special contribution from LFO), a \$26.7 million increase over the prior year's \$79.0 million in 2018-19.

### Government funding of LAO

In 2019-20 the province announced a \$133 million reduction in provincial government transfer payments. This reduction included previously-approved Treasury Board transfer payment allocation increases for 2019-20 that were eliminated.

## Executive summary of financials

### Summary of LAO's financial position

LAO's operating surplus for the year ended March 31, 2020 is \$14.4 million, compared to a surplus of \$13.2 million in the previous fiscal year. LAO now has a net accumulated surplus of \$10.4 million, compared to an accumulated deficit of (\$4.7 million) at the beginning of the year.

LAO's fiscal 2019-20 financial statements show it ended the year with a surplus owing to a one-time funding allocation from the federal government to pay lawyers contracted in 2019-20 to provide refugee legal services over the next three years.

Following the direction of the LAO Board, \$16.5 million of this federal funding was classified as an internal restriction of cash in our 2019-20 balance sheet. This practice ensures LAO can cover future run-off costs of refugee certificates which can last up to three years.

#### Risks

LAO acknowledges that the \$14.4 million operating surplus from a reputational point of view is optically challenging given the program cuts implemented this year, in response to the reduction in funding from MAG. However, this issue will not change LAO's outlook for 2020-21, as we are still facing a significant revenue shortfall in our budget because of the reduction in LFO revenues.

## Explanation of significant differences between fiscal years 2020 and 2019

### Revenues (Page 4 of the financial statements)

#### Summary of revenues

(\$000s)	2019-20	2018-19	Increase/ (Decrease)	Notes
Government of Ontario	\$ 357,110	\$ 318,671	\$ 38,439	1
Financial eligibility		86,320	(86,320)	1
Law Foundation of Ontario	105,687	79,031	26,656	2
Client contributions	9,204	9,571	(367)	
Client and other recoveries	2,380	1,048	1,331	3
Investment income	795	872	(77)	
Miscellaneous	859	360	499	
<b>TOTAL REVENUES</b>	<b>\$ 476,035</b>	<b>\$ 495,873</b>	<b>\$ (19,839)</b>	

#### Notes

#### 1. Government funding – (\$47.9 million) decrease

(\$000s)	2019-20	2018-19	Increase/ (Decrease)	Notes
Government of Ontario – Base funding	\$ 323,323	\$ 308,773	\$ 14,550	A
Government of Ontario – DOJ* 3-year funding	8,123		\$ 8,123	B
Government of Ontario – DOJ* one-time funding	25,664	9,898	15,766	B
<b>Subtotal</b>	<b>357,110</b>	<b>318,671</b>	<b>38,439</b>	
Government of Ontario – Financial eligibility	0	86,320	(86,320)	C
<b>TOTAL MAG contributions</b>	<b>\$ 357,110</b>	<b>\$ 404,991</b>	<b>\$ (47,881)</b>	

\*Department of Justice

## Summary of revenues: Notes (continued)

### 1. Government funding – (\$47.9 million) decrease (continued)

#### a. Base funding

An increase in base funding of \$14.6 million resulted mainly from the 2018-19 base funding reduction of \$40 million (a one-time decrease in government funding), this one-time change decreased the comparative prior year.

#### b. Department of Justice

After it was announced that the provincial government would no longer fund Immigration and Refugee (I&R) claims, the Department of Justice provided an unexpected funding stream for the I&R program. This included three-year funding of \$8.1 million in May 2019 and one-year funding of \$25.7 million in August 2019.

#### c. Financial eligibility

On April 11, 2019, the provincial government announced a transfer payment cut that eliminated the committed financial eligibility funding.

### 2. LFO funding – \$26.7 million increase

In fiscal 2019-20, LFO revenues increased by \$26.7 million over 2019, from \$79.0 million to \$105.7 million. The revenue increase this year is attributable to three items:

- The monthly mixed-trust account balances continue to be high and finished the year with a balance of \$5.6 billion.
- In fiscal year 2018-19 the Bank of Canada announced two (2) interest rate hikes of 0.25%, raising the prime rate by 0.50% to 1.75%. These rate increases were in effect for the entire year.
- A one-time grant of \$15.0 million received to boost LAO's revenue.

### 3. Client and other recoveries – \$1.3 million increase

This increase from \$1.1 million in 2018-19 is a nominal year over year change.

## Expenditures (Pages 4 – 5 of the financial statements)

### Summary of expenditures

(\$000s)	2019-20	2018-19	Increase/ (Decrease)	Notes
Certificate program	\$ 223,582	\$ 225,008	\$ (1,426)	4
Staff office	19,214	20,134	(920)	
<b>Subtotal</b>	242,796	245,142	(2,346)	
Duty counsel	56,459	60,770	(4,311)	5
Clinic program	89,048	98,691	(9,643)	6
Service innovation projects	2,178	2,252	(74)	
Program support	24,420	27,597	(3,177)	7
Service provider support	6,547	7,067	(520)	
<b>Subtotal</b>	178,652	196,377	(17,725)	
Administrative and other costs				
Provincial office	36,030	38,001	(1,971)	
Amortization expense	1,066	1,610	(544)	
Bad debt expense	3,109	1,576	1,533	
<b>Subtotal</b>	40,205	41,187	(982)	
<b>TOTAL EXPENDITURES</b>	\$ 461,653	\$ 482,706	\$ (21,053)	

#### Notes

At the start of fiscal 2019-20 LAO developed an aggressive plan to find \$75 million in savings in response to the \$133 million reduction in provincial government funding. Because of the time delay in achieving savings in certificates, and transition costs associated with subsequent staffing changes, the organization will continue to benefit from savings in coming years.

Despite significant cuts in lawyer payments, LAO posted marginal decreases in certificate expenses. Immediate savings were achieved for duty counsel service by instituting a hiring freeze and limiting per diem expenses. A further \$9.6 million in savings were achieved through funding reductions to the clinic program. However, due to transition costs, limited in-year savings were possible in program support and other administrative costs. More savings will be realized over the next three years as certificate lifecycles come to an end.

## Summary of expenditures: Notes (continued)

### 4. Certificate program – (\$1.4 million) decrease

The (\$1.4 million) decrease in expenditures is broken down by area of law, as follows:

(\$000s)				
Criminal – BCM	\$ 31,683	\$ 30,599		
Criminal – Non-BCM	87,376	89,977		
Family	70,611	71,147		
Immigration/Refugee	26,316	25,289		
Civil	7,596	7,996		
<b>TOTAL</b>	<b>\$ 223,582</b>	<b>\$ 225,008</b>		

An increase of \$1.1 million in the Big Case Management (BCM) certificate program is broken down as follows:

(\$000s)	2019-20	2018-19	Increase/ (Decrease)
<b>BCM</b>			
Certificate costs – BCM	\$ 27,297	\$ 26,532	\$ 765
Certificate costs – Midcase	2,928	2,335	593
Certificate costs – GATCC	412	844	(432)
Certificate costs – MCMO	1,046	888	158
<b>TOTAL</b>	<b>\$ 31,683</b>	<b>\$ 30,599</b>	<b>\$ 1,084</b>

- A comparison of cost components with the prior year indicates a marginal change across all cost components of the BCM certificate program in 2019-20.
- All major aids were affected by the various cost reductions launched in June and July of 2019, which included the removal of the acknowledgment fee, and other targeted initiatives related to reducing the cost of the criminal and family certificate programs.
- Immigration and refugee certificate costs rose primarily as a result of the 18.2% increase in certificates issued in 2018-19 from 2017-18 being realized in 2019-20.
- There was a \$0.4 million increase in civil certificate costs.

### 5. Duty counsel staff office – (\$4.3 million) decrease

Duty counsel expenditures decreased in fiscal 2019-20 as a result of a hiring freeze.

### 6. Clinic program – (\$9.6 million) decrease

The clinic program decreased from \$98.7 million to \$89.1 million in 2019-20. Overall transfer payments decreased due to cost-saving initiatives resulting from MAG funding cuts. LAO was able to achieve \$9.6 million in savings from its clinic program because cost reduction initiatives implemented were realized within the first year.

### 7. Program support – (\$3.2 million) decrease

(\$000s)	2019-20	2018-19	Increase/ (Decrease)
<b>Program support</b>			
Regional operations	\$ 1,102	\$ 2,684	\$ (1,582)
Area office services	13,700	15,260	(1,560)
Client and Lawyer Service Centre	9,618	9,653	(35)
<b>TOTAL EXPENDITURES</b>	<b>\$ 24,420</b>	<b>\$ 27,597</b>	<b>\$ (3,177)</b>

The \$3.2 million decrease in program support is due to cost-saving initiatives in response to the reduction of funding from MAG.

## Balance sheet

### Balance Sheet line items with significant changes

(\$000s)	2019-20	2018-19	Increase/ (Decrease)	Notes
<b>ASSETS</b>				
Cash and cash equivalents	\$ 42,727	\$ 24,328	18,399	
Short-term investments	25,229	25,265	(36)	
<b>Subtotal</b>	67,956	49,593	\$ 18,363	1
Other receivables	14,443	18,900	(4,457)	2
Capital assets	2,167	2,917	(750)	3
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	99,717	103,606	(3,889)	4
Net accumulated surplus/(deficit)	\$ 10,418	\$ (4,714)	\$ 15,132	5

#### Notes

- As a result of an increase in cash and short-term investments of \$18.4 million, there was an in-year surplus of \$14.4 million for fiscal 2019-20.
- The decrease in other receivables relates to the inflow of transfer payments from MAG late in the year.
- The decrease in capital assets is attributed to a spending freeze in response to the reduction of transfer payments.
- The decrease in accounts payable is ~3% and is a normal fluctuation in account balances.
- The increase in surplus represents one-time revenue received during the year for the immigration and refugee program.

## Net asset surplus/(deficit) position

LAO's March 31, 2019 net surplus position of \$10.4 million, consisted of:

- An opening net accumulated deficit of (\$4.7 million)
- An operating surplus of \$14.4 million
- Investment in capital of \$2.2 million, which represents net assets not available for other purposes because they have been used to fund the purchase of capital assets. Please refer to note 8 of the financial statements.

(\$000s)	2019-20	2018-19	Increase/ (Decrease)
<b>NET ASSETS/(DEFICIT)</b>			
Net accumulated (deficit)	\$ (4,714)	\$ (18,583)	\$ 13,869
Operating surplus	14,382	13,167	1,214
<b>Subtotal</b>	<b>9,667</b>	<b>(5,416)</b>	15,083
Change in capital asset	750	702	48
<b>Subtotal</b>	<b>10,418</b>	<b>(4,714)</b>	15,131
Invested in capital	2,167	2,917	(750)
<b>TOTAL</b>	<b>\$ 12,585</b>	<b>\$ (1,797)</b>	<b>\$ 14,381</b>

## Conclusion

The 2019-20 fiscal year presented numerous unforeseen financial challenges for LAO. Nonetheless, the agency closed the year with a surplus of \$14.4 million owing to one-time funding from the federal government to pay lawyers contracted in 2019-20 to provide refugee legal services over the next three years; funds that LAO recognized in 2019-20 in accordance with public sector accounting standards.

The 2020-21 fiscal year began with the COVID-19 pandemic, with its unprecedented impact on the global economy. Drastic reductions in the prime lending rate, which has a direct impact on LFO funding, is expected to result in a reduction of funding from LFO in the range of \$60 million to \$70 million.

# FINANCIAL STATEMENTS

## Financial statements

### Management's statement of responsibility

The management of Legal Aid Ontario (LAO) 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 judgments 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 LAO 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 LAO, review and evaluate internal controls on management's behalf.

The board of directors of LAO ensures that management fulfills its responsibilities for financial information and internal control through an audit and finance committee. This committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the audit and finance committee, without management present, to discuss the results of their work.

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



David Field  
President and  
Chief Executive Officer

June 19, 2020



Louis Dimitracopoulos  
Chief Administrative Officer  
and Vice President

June 19, 2020

# Independent auditor's report



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

## Independent Auditor's Report

To Legal Aid Ontario

### Opinion

I have audited the financial statements of Legal Aid Ontario (LAO), which comprise the statement of financial position as at March 31, 2020, 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, 2020, 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 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 19, 2020

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

Box 105, 15<sup>th</sup> Floor  
20 Dundas Street West  
Toronto, Ontario  
M5G 2C2  
416-327-2381  
fax 416-326-3812

B.P. 105 15<sup>e</sup> étage  
20, rue Dundas ouest  
Toronto (Ontario)  
M5G 2C2  
416-327-2381  
télécopieur 416-326-3812

[www.auditor.on.ca](http://www.auditor.on.ca)



## Legal Aid Ontario Balance sheet

	March 31, 2020 (\$000's)	March 31, 2019 (\$000's)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 7)	\$ 42,727	\$ 24,328
Investments (note 4)	25,229	25,265
Prepaid expenses and other assets	2,071	2,712
Client accounts receivable, net of allowance (note 3(a))	9,067	10,031
Other receivables (note 3(b))	14,443	18,900
	<u>\$ 93,537</u>	<u>\$ 81,236</u>
Long term client accounts receivable, net of allowance (note 3a.)	18,887	19,886
Capital net assets (note 5)	2,167	2,917
<b>TOTAL ASSETS</b>	<b>\$ 114,591</b>	<b>\$ 104,039</b>
<b>LIABILITIES AND NET DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 99,717	\$ 103,606
<b>Long Term Liabilities</b>		
Accrued pension liability (note 11)	\$ 2,289	\$ 2,230
<b>Net Assets (Deficit)</b>		
Net accumulated surplus (deficit)	\$ 10,418	\$ (4,714)
Invested in capital assets (note 8)	2,167	2,917
	<u>12,585</u>	<u>(1,797)</u>
<b>TOTAL LIABILITIES AND NET DEFICIT</b>	<b>\$ 114,591</b>	<b>\$ 104,039</b>

On behalf of the board:



Charles Harnick, Chair, LAO Board of Directors

## Legal Aid Ontario Statement of operations

	March 31, 2020 (\$000's)	March 31, 2019 (\$000's)
<b>For the year ended March 31</b>		
<b>REVENUE</b>		
Total government funding (notes 1(a) and 1(b))	\$ 357,110	\$ 404,991
The Law Foundation of Ontario	105,687	79,031
Client contributions	9,204	9,571
Client and other recoveries	2,380	1,048
Investment income (note 4)	795	872
Miscellaneous income	859	360
<b>TOTAL REVENUE</b>	<b>\$ 476,035</b>	<b>\$ 495,873</b>
<b>EXPENSES (Note 2)</b>		
<b>Client Programs</b>		
<b>Certificate Program</b>		
Criminal – Big cases	\$ 31,683	\$ 30,598
Criminal – others	87,376	89,978
Subtotal	<u>119,059</u>	<u>120,576</u>
Family	70,611	71,147
Immigration and refugee	26,316	25,289
Other civil	7,596	7,996
Subtotal	<u>223,582</u>	<u>225,008</u>
Settlement conferences	152	199
Family law offices	6,295	6,274
Integrated law offices	4,667	4,801
Criminal law offices	1,714	2,108
Refugee law office	3,586	3,971
Articling students	839	821
Nishnawbe Aski Legal Services Corporation	1,960	1,960
Certificates	<u>242,795</u>	<u>245,142</u>
<b>Duty Counsel Program</b>		
Duty counsel fees and disbursements	54,303	58,247
Expanded duty counsel	2,157	2,523
Subtotal	<u>56,460</u>	<u>60,770</u>

## Legal Aid Ontario Statement of operations continued

For the year ended March 31	2020 (\$000's)	2019 (\$000's)
<b>EXPENSES continued</b>		
<b>Clinic program and special services</b>		
Clinic law services (note 9)	82,531	91,459
Student legal aid services societies	5,035	5,609
Clinic information management project	1,482	1,623
Subtotal	<u>89,048</u>	98,691
<b>Service innovation projects</b>		
Other	2,178	2,252
Subtotal	<u>2,178</u>	2,252
<b>Program support</b>		
Regional operations	1,102	2,684
District/Area office services	13,700	15,260
Client and legal service centre	9,618	9,653
Subtotal	<u>24,420</u>	27,597
<b>TOTAL CLIENT PROGRAMS</b>	<u><b>414,901</b></u>	434,452
<b>Service provider support</b>		
Research facilities	3,519	4,005
Lawyers' services and payments	3,028	3,062
Subtotal	<u>6,547</u>	7,067
<b>Administrative and other costs</b>		
Provincial office	36,030	38,001
Amortization	1,066	1,610
Bad debts	3,109	1,576
Subtotal	<u>40,205</u>	41,187
<b>TOTAL EXPENSES</b>	<u><b>\$ 461,653</b></u>	\$ 482,706
<b>Excess of revenues over expenses for the year</b>	<u><b>\$ 14,382</b></u>	\$ 13,167

## Legal Aid Ontario Statement of changes in net assets (deficit)

March 31, 2020

(\$000's)	Invested capital assets (note 8)	Accumulated deficit	2020 total	2019 total
Net assets (deficit), beginning of year	\$ 2,917	\$ (4,714)	\$ (1,797)	\$ (14,964)
Net change in capital assets	(750)	750	-	-
Excess of revenues over expenses for the year	-	14,382	<b>14,382</b>	13,167
<b>Net assets (deficit), end of year</b>	<u><b>\$ 2,167</b></u>	<u><b>\$ 10,418</b></u>	<u><b>\$ 12,585</b></u>	<u><b>\$ (1,797)</b></u>

## Legal Aid Ontario Statement of cash flows

For the year ended March 31	2020 (\$000's)	2019 (\$000's)
<b>Cash provided by (used in)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	\$ 14,382	\$ 13,167
Non cash operating activity:		
Amortization of capital assets	1,066	1,610
Changes in non cash balances:		
Accrued pension liability	59	(6)
Accrued interest on investments	36	(18)
Prepaid expenses and other assets	641	158
Client accounts receivable	964	1,874
Other receivables	4,457	(5,094)
Long term client accounts receivable	999	(2,441)
Accounts payable and accrued liabilities	(3,889)	(685)
	<u>\$ 18,715</u>	<u>\$ 8,565</u>
<b>INVESTING ACTIVITIES</b>		
Redemption of Investment	\$ 5,000	\$ 31,000
Purchase of Investment	(5,000)	(36,051)
	<u>—</u>	<u>(5,051)</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of capital assets	\$ (316)	\$ (908)
<b>Net increase in cash and cash equivalents during the year</b>	<b>18,399</b>	<b>2,606</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>24,328</b>	<b>21,722</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 42,727</b>	<b>\$ 24,328</b>

## Legal Aid Ontario Notes to financial statements

**March 31, 2020**

### 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.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

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### 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 measured as follows:

<b>Assets /Liabilities</b>	<b>Measurement</b>
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.

### 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.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

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### 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 an insignificant risk of changes in value with original maturities of typically less than a year.

### CAPITAL ASSETS

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

Furniture and office equipment	– 5 years
Computer hardware	– 3 years
Enterprise wide software	– 3–7 years
Leasehold improvements	– Over the term of lease

### EMPLOYEE BENEFIT PLANS

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

# Legal Aid Ontario

## Notes to financial statements

March 31, 2020

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### 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 reported at March 31, 2019. 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 a client's ability to pay their accounts in the future.

# Legal Aid Ontario

## Notes to financial statements

March 31, 2020

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### 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 signed in fiscal 2021.

- 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 75% (81% - 2019) and 22% (16% - 2019) respectively. Total contributions received from MAG from the Treasury Board were as shown below:

	2020 (\$000's)	2019 (\$000's)
Total government funding	\$ 357,110	\$ 404,991

- b. Included in total government funding for the year ended March 31, 2020 is an amount of \$89.8 million (2019 – \$64.3 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 \$48.9 million, under the *Youth Criminal Justice Act*; and \$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.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 2. Expenses by object

The table below provides totals for each expense category:

	2020 (\$000's)	2019 (\$000's)
Certificates	221,099	223,118
Duty counsel per diem	20,479	23,723
Clinic funding	86,415	97,996
Other transfer payments	1,960	1,960
Salaries and benefits	106,614	110,000
Leases	4,972	4,997
Bad debts, amortization and other expenses	20,114	20,912
	<b>\$ 461,653</b>	<b>\$ 482,706</b>

Expenses by object summarizes the total salaries, benefits and administrative amounts. The Statement of Operations, provides the "per program" amounts where each program includes salaries, benefits and other expenses incurred.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 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, 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	(29,035)	(81)	(254)	(169)	(28,531)
	<b>\$ 27,954</b>	<b>\$ 71</b>	<b>\$ 135</b>	<b>\$ 106</b>	<b>\$ 27,642</b>

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)
	<b>\$ 29,917</b>	<b>\$ 144</b>	<b>\$ 52</b>	<b>\$ 69</b>	<b>\$ 29,652</b>

Represented by:

	2020 (\$000's)	2019 (\$000's)
Current (non lien) client accounts receivable	9,067	10,031
Long term (lien) client accounts receivable	18,887	19,886
	<b>\$ 27,954</b>	<b>\$ 29,917</b>

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 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, 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	560	509	–	–	51
<b>Total other receivables</b>	<b>\$ 14,443</b>	<b>\$ 12,303</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 2,140</b>

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
<b>Total other receivables</b>	<b>\$ 18,900</b>	<b>\$ 13,721</b>	<b>\$ 877</b>	<b>\$ 541</b>	<b>\$ 3,761</b>

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 4. Investments

	2020 (\$000's)	2019 (\$000's)
<b>Guaranteed investment certificates</b>	<b>\$ 25,051</b>	<b>\$ 25,051</b>
<b>Accrued interest</b>	<b>178</b>	<b>214</b>
	<b>\$ 25,229</b>	<b>\$ 25,265</b>

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, 2020 are in compliance with the statutory requirements. Short-term investments held of \$25.0 million (2019 – \$25.0 million) are invested at various rates up to prime less 2.7% and one at a fixed rate of 1.5%.

The Corporation earned investment income of \$0.8 million in 2020 (2019 – \$0.9 million).

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 5. Capital assets

	2020 (\$000's)		2019 (\$000's)	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and office equipment	\$ 138	\$ 39	\$ 199	\$ 92
Computer hardware	1,642	953	2,211	1,323
Leasehold improvements	3,712	2,333	4,320	2,419
Enterprise-wide software	15,663	15,663	17,913	17,892
Net book value	<b>\$ 21,155</b>	<b>18,988</b>	<b>\$ 24,643</b>	<b>21,726</b>
		<b>\$ 2,167</b>		<b>\$ 2,917</b>

### 6. Accounts payable and accrued liabilities

	2020 (\$000's)	2019 (\$000's)
Legal accounts		
– Accruals for billings received but not paid	\$ 13,636	\$ 15,818
– Estimate of work performed but not yet billed	73,600	73,900
Rent inducements	1,822	2,039
Trade and other payables	6,917	8,374
Vacation pay	3,742	3,475
	<b>\$ 99,717</b>	<b>\$ 103,606</b>

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 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 during the 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:

	2020 (\$000's)	2019 (\$000's)
Balance, beginning of year	\$ 2,917	\$ 3,619
Purchase of capital assets	316	908
Amortization	(1,066)	(1,610)
Balance, end of year	<b>\$ 2,167</b>	<b>\$ 2,917</b>



## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 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.

	2020 (\$000's)	2019 (\$000's)
Payments to and on behalf of clinics	\$ 82,531	\$ 91,459

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 10. Commitments and contingencies

- a. The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. As at March 31, 2020, management estimates certificates in the amount of \$70.8 million (2019 – \$71.0 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2020 over and above the billings received to date.
  
- b. The Corporation leases a vehicle, equipment, and various office premises at locations throughout the province. The rent and estimated operating costs are based on existing lease agreements and charges for additional rent. Estimated lease expenses for the next five years and thereafter are as follows:

	Base rent (\$000's)	Operating costs (\$000's)	Vehicle and equipment (\$000's)	Total (\$000's)
2021	\$ 1,971	\$ 2,546	\$ 74	\$ 4,591
2022	1,888	2,530	53	4,471
2023	1,707	2,395	37	4,139
2024	1,688	2,329	11	4,028
2025	1,715	2,282	3	4,000
Thereafter	6,099	8,250	–	14,349
	\$ 15,068	\$ 20,332	\$ 178	\$ 35,578

- c. The Corporation is the defendant in a number of lawsuits arising in the ordinary course of business. The outcome and ultimate disposition of these actions are not known; however, based on the claims made, management estimates an amount of \$0.6 million (2019 – \$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.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 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 973 (2019 – 971) employees. Pension expense for the year relating to this component of the plan was \$7.5 million (2019 – \$7.5 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 15 employees; there is one active participant (2019 – 2) and 14 retirees (2019 – 14). Actuarial gains (losses) are amortized on a straight line basis over the estimated average remaining service period of the active employee, which is three years as at March 31, 2020 (2019 – three). Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is subject to actuarial valuations for funding purposes at intervals of not more than three years. The last valuation was completed in January 2017, the next actuarial valuation of the plan for funding purposes will be prepared for the period ended January 1, 2020 and submitted to the Financial Services Regulatory Authority of Ontario in September 2020. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 11. Pensions (continued)

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

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

	2020 (\$000's)	2019 (\$000's)
Accrued benefit obligation	\$ 3,621	\$ 3,606
Fund assets at market value	4,114	4,422
Funded status – plan surplus	493	816
Unamortized net actuarial loss (gain)	432	(56)
Net pension asset	925	760
Valuation allowance, beginning of year	(760)	(680)
(Increase) decrease valuation allowance	(165)	(80)
Valuation allowance, end of year	\$ (925)	\$ (760)

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

	2020 (\$000's)	2019 (\$000's)
Current period benefit cost	\$ 18	\$ 18
Amortization of actuarial losses (gains)	(76)	4
Interest revenue	(43)	(39)
	\$ (101)	\$ (17)

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 11. Pensions (continued)

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

	2020	2019
<b>Accrued benefit obligation</b>		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

	2020	2019
<b>Benefit expense</b>		
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:

	2020 (\$000's)	2019 (\$000's)
Employer contributions	\$ 64	\$ 64
Employee contributions	7	7
Benefits paid	213	213

## Legal Aid Ontario Notes to financial statements

March 31, 2020

### 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, 2020.

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

	2020	2019
Discount rate	4.00%	4.00%
Inflation	1.75%	1.50%

The Corporation's pension expense for the year for this plan was \$0.17 million (2019 – \$0.10 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2020 was \$2.29 million (2019 – \$2.23 million). During the year, the Corporation made \$0.11 million (2019 – \$0.10 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2020 (\$000's)	2019 (\$000's)
<b>Accrued pension (liability)</b>		
Supplementary executive benefit plan	(2,289)	(2,230)

## Legal Aid Ontario Notes to financial statements

March 31, 2020

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### 12. Contingency reserve

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a contingency reserve fund as prescribed by section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of \$20 million, which was funded by the Corporation. The regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide the reason why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in the future.

The \$20.0 million was fully depleted in fiscal year 2017. As a result of funding reductions from MAG in fiscal 2019 and 2020, and ongoing reliance on unpredictable LFO revenues, LAO has been unable to be compliant with this legislative requirement.

## Legal Aid Ontario Notes to financial statements

March 31, 2020

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### 13. Financial instruments risks

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 (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. As a result of funding reductions from the Ontario government in fiscals 2019 and 2020, the Corporation has been increasingly relying on the LFO revenue in recent years, making the fulfillment of its mandate a challenge during times of economic downturns.

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 2021 and future years.

#### 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 (2019 – \$25.0 million) invested in Guaranteed Investment Certificates (GIC), at rates of up to prime minus 2.70% with maturity dates to January, 2021.



LEGAL AID ONTARIO  

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AIDE JURIDIQUE ONTARIO

40 Dundas St. West, Suite 200  
Toronto, ON M5G 2H1  
1-800-668-8258  
[media@lao.on.ca](mailto:media@lao.on.ca)  
[www.legalaid.on.ca](http://www.legalaid.on.ca)