

LEGAL AID ONTARIO
2022 - 2023
**ANNUAL
REPORT**



LEGAL AID ONTARIO

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Ce document est disponible en français.

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



September 29, 2023

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 32 of the *Legal Aid Services Act, 2020* and the Agencies and Appointments Directive, Legal Aid Ontario's annual report for the year ended March 31, 2023.

We greatly appreciate the funding provided by the Ministry and the Ontario Government in support of the services provided to low-income Ontarians by Legal Aid Ontario.

Sincerely,

A handwritten signature in black ink, appearing to be 'J.S.A. Pengelly', is located below the word 'Sincerely,'.

J.S.A. (Steve) Pengelly
Chair, Legal Aid Ontario Board of Directors

LEADERSHIP MESSAGE

Message from the Chair and CEO

Legal Aid Ontario (LAO) provides high-quality, sustainable legal aid services to the people of Ontario. We are pleased to share our 2022-23 annual report, which highlights our achievements of the past year and details the progress made on our commitment to deliver innovative services and support access to justice for low-income Ontarians, as set out in our governing legislation, the *Legal Aid Services Act, 2020* (LASA 2020).

Each year, Ontarians facing challenging circumstances rely on our services for help with their legal matters. Many of our clients are in a vulnerable position or from disadvantaged communities. Our clients include victims of domestic violence; parents seeking custody or access to their child or contesting the removal of a child from their home; individuals accused of a criminal offence; or refugees fleeing persecution. In addition to serving clients through staff and private bar lawyers, LAO funds Indigenous legal services organizations, 59 community legal clinics, 13 specialty clinics and 7 student legal services organizations, all of which provide assistance on a range of poverty law matters, including housing and shelter, income maintenance and social assistance.

Demand for our services has surpassed pre-pandemic levels, highlighting the need and demand for virtual as well as in-person services. In 2022-23, LAO processed 123,347 applications for legal aid services (8 per cent more than 2021-22); issued 106,830 certificates to eligible clients to cover the cost of a lawyer (6 per cent more than 2021-22); and provided legal advice and/or representation to 712,735 Ontarians through our duty counsel program (14 per cent more than we served in 2021-22). In 2022-23, clinics saw a 13 per cent increase in casefiles opened, for a total of 109,835 matters.

Due in part to higher-than-anticipated Law Foundation of Ontario (LFO) revenue, LAO ended the year in a positive financial position with a surplus of \$108.9 million. We are developing client-centred, strategic proposals to leverage these resources, focusing on supporting efficiency in the courts, particularly in the context of bail and in light of the increasing number of unrepresented people navigating the justice system.

We want to thank LAO's board of directors, executive leadership and staff, our roster lawyers, entity service providers and all those within the justice system for their invaluable contributions and dedication to our clients. We also thank the Ministry of the Attorney General (MAG), the provincial and federal governments and the LFO for the funding they provide to support LAO in promoting access to justice and keeping clients at the centre of everything we do.



Steve Pengelly
Board Chair, Legal Aid Ontario



David Field
President & CEO, Legal Aid Ontario

ABOUT LAO

Introduction

The purpose of the LASA 2020 is to facilitate the establishment of a flexible and sustainable legal aid system that provides effective and high-quality legal aid services throughout Ontario, in French and English, in a client-focused and accountable manner while ensuring value for money.

LAO's mandate and service principles are outlined in s.17 of LASA 2020 as follows:

Objects

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

Principles

- Promote access to justice
- Be efficient, effective and high-quality
- Operate in a client-focused, innovative, transparent and accountable manner
- Be responsive to the needs of low-income individuals and disadvantaged communities in Ontario
- Promote early resolution, where appropriate
- Coordinate with other aspects of the justice system and with community services
- Make continual efforts to maintain and improve the effectiveness and quality of legal aid services while ensuring value for money.

Services at a glance

LAO offers clients a range of legal services in English and French, from summary legal advice to full representation. Legal aid services are delivered by staff lawyers employed by LAO, through LAO's roster of third-party independent service providers who are members of the private bar, and through entity service providers (community legal clinics and student legal services organizations).

Financially eligible, low-income Ontarians may receive legal services in:

- 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 and representation to eligible clients who would otherwise be unrepresented and unassisted in the courtroom.

Service online and over the phone

Toll-free services include information, referrals, summary legal advice, and the taking of legal aid applications. Through all channels, LAO employees processed more 123,347 applications for services, resulting in 106,830 certificates.

Representation by a private lawyer

Eligible clients may apply for and receive a certificate, which is like a voucher that covers the cost of a lawyer for a certain number of hours. Certificates are issued for matters in different areas of law including criminal, family, and immigration and refugee law. Funding for certificates totaled \$188.5 million.

Community legal clinics

LAO funds 59 general service legal clinics (\$71.6 million) and 13 specialty clinics (\$17.1 million) across the province. Community service clinics provide legal services to help low-income people and communities meet basic needs such as 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 underserved (e.g., seniors, people living with HIV/AIDS, persons with disabilities, Indigenous, Black and racialized communities). This funding supported a range of services in the areas noted above, including opening almost 110,000 cases and more than 5,500 community development, advocacy, and communications initiatives.

Services at a glance

Student Legal Services Organizations

LAO also funds student legal services organizations operating out of seven of Ontario's eight law schools (\$5.4 million). Full-time lawyers supervise volunteer law students who provide legal advice and representation to clients with matters such as landlord and tenant issues, immigration cases, and minor criminal matters.

Clients at a glance

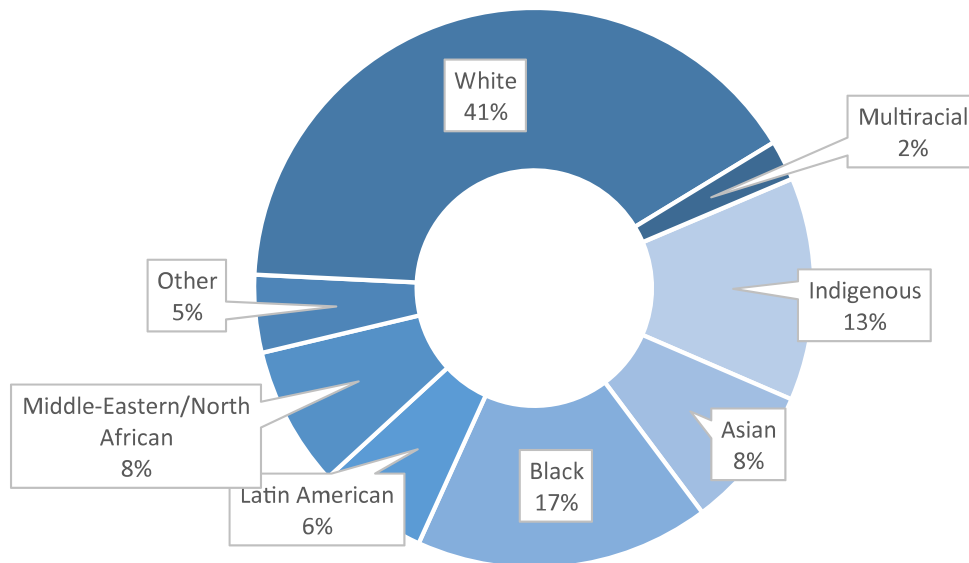
LAO clients

Keeping clients at the centre of everything we do is crucial to our work at LAO. The services listed in the previous section are delivered to a diverse range of clients throughout the province. The following charts and information demonstrate the diversity of our certificate clients. This information comes from an environmental scan of LAO's client base, which takes a broad look at internal and external influences on LAO clients, service delivery and business. Gathering this kind of data enables us to better understand trends and correlations, which in turn helps us serve all our clients. The scan analyzes data that is gathered from certificate clients during the intake process, which LAO then compiles and analyzes at a high level. The most recent data includes a key focus on vulnerable client groups, with a breakdown of the number of clients by gender, race, age and family size.

The gender of LAO clients varies significantly by area of law. For certificate clients, most criminal clients identify as male, as do most mental health clients and refugee clients. The majority of family clients identify as female. In clinic law, most clients identify as female. However, this varies based on the type of services provided, with males again over-represented in criminal law. A small proportion of LAO clients identify as two-spirit, trans and non-binary. LAO continues to expand on the ways that we work and engage with two-spirit, transgender, non-binary and gender diverse clients to ensure the highest quality data possible is captured to represent them in meaningful ways.

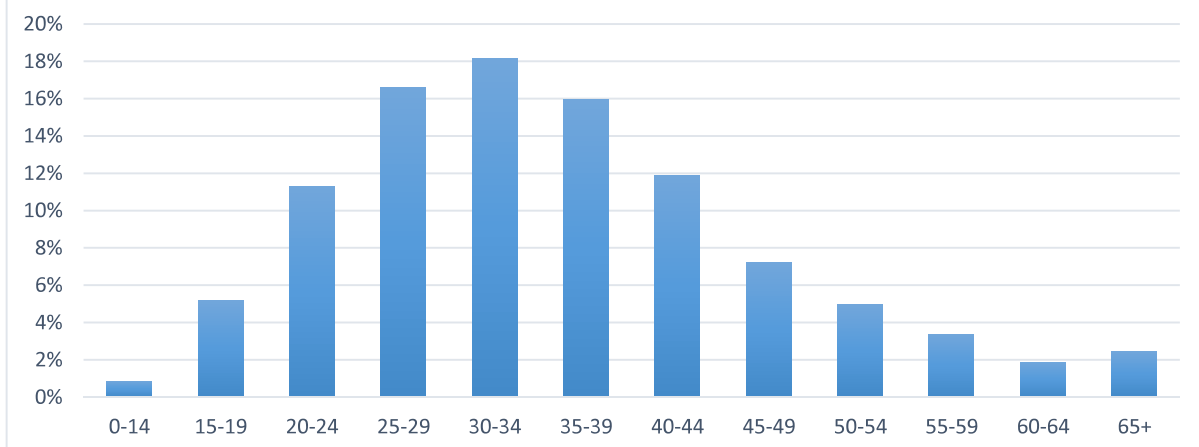
Most racialized groups are overrepresented both in LAO's client base and in Ontario's low-income population. Compared to the province-wide population, Indigenous and Black clients are most overrepresented. Although only 2.9 per cent of Ontarians identify as Indigenous, 24 per cent of LAO's criminal certificate clients are Indigenous, as are 13 per cent of family certificate clients and 19 per cent of clinic law clients. Similarly, only 5 per cent of Ontarians are Black, compared with 17 per cent of LAO certificate clients and 14 per cent of clinic law clients. LAO's Aboriginal Justice Strategy and Racialized Communities Strategy work to reduce barriers and deliver quality, culturally appropriate services to support these vulnerable client groups.

LAO Certificate Clients by Race (all areas of law)

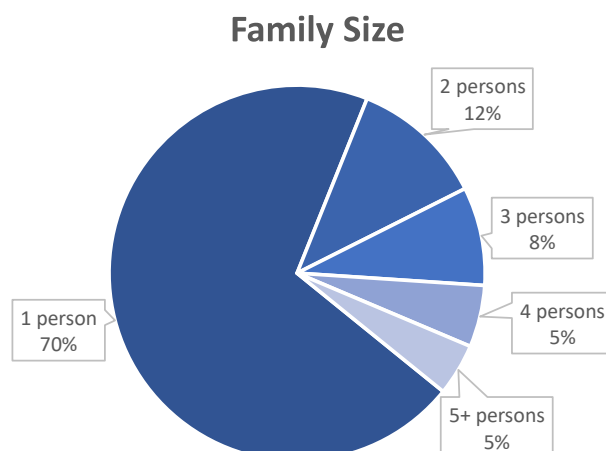


Certificate clients at LAO are on the younger side, with 51 per cent of clients under 35 years of age and almost 80 per cent under 45. Criminal clients tend to be, on average, younger than clients with matters in other areas of law.

Certificate Clients Age Distribution



LAO's certificate financial eligibility threshold (FET) varies by family size, with the threshold increasing as family size increases. Single persons make up over 80 per cent of criminal certificates and almost 70 per cent of LAO's total certificate issuance. LAO's current financial eligibility thresholds are aligned with the 2011 Low Income Measure¹ (LIM). The FET threshold for a single person is currently 62 per cent under the 2020 Low Income Measure. The threshold for all other family sizes is 34 per cent under the 2020 LIM.



At present, there are more than 1.2 million Ontarians living in families that were deemed low income, but still ineligible for LAO services because their total family income was above the LAO FET. The provincial government defines a family as low income if its disposable income falls below the poverty threshold for the family size and region. Under the existing criteria, individuals who earn an annual income of \$18,795 or higher do not qualify for legal aid, while a family of five or more people earning a collective income of \$50,803 or higher is also not financially eligible for this financial support. (See accompanying chart.)

Number of family members	LAO FET
1 person	\$18,795 ²
2 persons	\$32,131
3 persons	\$39,352
4 persons	\$45,289
5 persons	\$50,803

¹ The Low Income Measure threshold developed by Statistics Canada is defined as households with an annual income that is less than 50% of the average income of Canadian households.

² 1 person FET is \$22,720 for cases involving domestic violence

Board of directors

In 2022-23, we welcomed a new Chair and new directors to our board. LAO's full board of directors normally totals 11 members, who have a variety of subject matter specialties.

Board members are appointed by the Lieutenant Governor of Ontario, on the recommendation of the Ministry of the Attorney General. Five individuals are selected by the ministry from a list of names recommended by the Law Society of Ontario (LSO), the organization that regulates, licenses and disciplines Ontario's more than 57,000 lawyers and 10,000 paralegals. The Lieutenant Governor, on the recommendation of the ministry in consultation with the LSO, appoints one of those members to serve as Chair of the board. The CEO serves as an ex-officio (non-voting) member of the board.

Name	Position	Term start date	Term end date	Remuneration / expenses paid in 2022-23
James Stephen Pengelly	Chair	April 2022	April 2025	\$ 191,320.59
Jennifer Gold	Current member	Dec. 2020	Dec. 2025	\$ 6,750.00
Judy Mintz	Current member	March 2020	March 2026	\$ 11,812.50
Deborah Moriah	Current member	Jan. 2021	Jan. 2026	\$ 9,562.50
Bryn Gray	Current member	Jan. 2021	Jan. 2026	\$ -
Julia Bailey	Current member	April 2021	April 2026	\$ 9,937.50
Peter Johnson	Current member	Jan. 2021	Jan. 2026	\$ 8,062.50
Louise Harris	Current member	Sep. 2022	Sep. 2024	\$ 7,687.50
Melanie Debassige	Current member	Jan. 2023	Jan. 2025	\$ 2,062.50
Christopher Uwagboe	Former member	April 2021	Sep. 2022	\$ 11,250.00
John Callaghan	Former member	Jan. 2021	Jan. 2023	\$ -
David Field	President & CEO / Ex officio Board member	Jan. 2016	N/A	N/A

Board governance

LAO's board governance structure includes four committees: audit and finance, operations, human resources, and nominating and corporate governance.

These committees review matters brought forward by management. They then make recommendations, in their respective areas of responsibility, to the board of directors.

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:

Audit and Finance Committee

- Jennifer Gold (Chair)
- Judy Mintz
- Julia Bailey
- Melanie Debassige
- Steve Pengelly, non-voting member
- David Field, ex-officio non-voting member

Human Resources Committee

- Peter Johnson (Chair)
- Judy Mintz
- Deborah Moriah
- Louise Harris
- Steve Pengelly, non-voting member
- David Field, ex-officio non-voting member

Operations Committee

- Bryn Gray (Chair)
- Deborah Moriah
- Melanie Debassige
- Louise Harris
- Steve Pengelly, non-voting member
- David Field, ex-officio non-voting member

Nominating and Corporate Governance Committee

- Chair – Board chair
- Membership – Full board of directors

Committees

Advisory committees

Nine committees, made up of community members, advise LAO in:

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

Test Case Committee

This committee is comprised of senior LAO staff with expertise in different areas of law. Through an application process, the committee provides funding for meritorious test cases that advance the interests of the individual client and have a positive impact on a larger group of low-income Ontarians and Legal Aid clients. In 2022 – 2023, the committee funded 31 test cases with budgets totaling \$459,732.

The committee continues to focus its test case funding on litigation that will support particularly disadvantaged communities, who might not otherwise have been in a position to advance their case without that funding. The committee has funded, often with in-kind support from other organizations, successful litigation at all levels of court, including the Supreme Court of Canada, at various administrative tribunals, and in related proceedings. The committee has been able to support several critical access-to-justice issues. These include greater recognition for the rights of Indigenous families and communities in child welfare proceedings; the use of restorative justice principles in prosecution of sexual offences; and fairer treatment of racialized persons and the mentally ill, in the investigation, prosecution and sentencing of criminal offences.

Exceptions Committee

Experienced criminal lawyers from LAO's roster of private counsel comprise this committee, which makes budget recommendations for complex criminal cases that are anticipated to cost more than \$75,000, or for which costs are difficult to estimate.

YEAR IN REVIEW

The year 2022-2023 was a time of progress and accomplishment for LAO. The organization's continued focus on its strategic priorities, in particular client service and value for money, has resulted in enhanced supports for clients, both virtually and in-person, as well as administrative efficiencies. These and other achievements are thanks to LAO's engaged and dedicated staff, roster members, community legal clinics, as well as the courts and others in the justice system.

LAO's Strategic Plan sets forth five strategic priorities:

1. Client-centred focus
2. Demonstrated value for money
3. Innovative services
4. Engaged staff
5. Effective collaboration

1. Client-centred focus

Clients are at the centre of LAO's work, and we are committed to delivering high-quality services that are culturally appropriate and responsive to clients' needs. Overall satisfaction among certificate clients remains steady at 80 per cent, indicating strong satisfaction with LAO services and processes.

Highlights of 2022-23:

Duty counsel services and enhanced access: In 2022-23, duty counsel-assist volumes returned to pre-pandemic levels, with LAO duty counsel lawyers and staff serving 712,735 clients. We have made significant enhancements to duty counsel services, ensuring accessibility for clients across the province through expanded online summary legal advice and in-person channels.

Expansion of lawyer assisted applications: To address pandemic challenges, LAO introduced an intake option for Lawyer Assisted Application (LAA) forms, assisting youth and adults in custody facing access issues. This service has since expanded to cover more areas of law. The use of lawyer-assisted applications has grown significantly, with over 600 applications submitted monthly. LAA forms enable lawyers to apply for legal aid on behalf of clients in need, providing a streamlined and convenient alternative for those who cannot apply themselves.

Strengthening services for Indigenous clients: LAO is working to build services that address the specific legal needs of Indigenous client communities. We have entered into new service agreements with Nishnawbe Aski Nation (NAN) Legal Services and Aboriginal Legal Services (ALS). These agreements renew LAO's commitment to legal aid services that are trauma-informed, culturally safe and relevant to Indigenous peoples.

Advancing French language access commitments: Ontario's francophone population is very diverse, with immigrants being the fastest growing francophone population in Ontario. LAO actively offers its services in English and French in areas across the province that are designated pursuant to the French Language Services Act (FLSA), and in all its centralized services and communications.

Bilingual staff members are strategically placed in various locations, supported by training and resources for optimal client service.

During 2022-23, LAO demonstrated its commitment to FLSA obligations through several initiatives. Bilingual communication with the public extended to signage, websites, legal information, press releases, consultations, and social media interactions. French Language Services (FLS) principles were integrated into projects, tools, policies, and training materials, ensuring compliance. New staff underwent mandatory FLS training to enhance their understanding of language service obligations.

Multi-language access to LAO Services: LAO provides access to interpretation services for clients who speak neither English nor French, with access to more than 300 languages. In 2022-23, interpretation and translation costs amounted to \$1.6 million and assisted LAO and legal clinic clients.

Through legal aid certificates, LAO incurred costs of just over \$3 million for interpretation and translation.

Data collection to evaluate services: As part of the Anti-Racism Action Project (ARAP), LAO worked with a team of academics who analyzed bail outcome data and reported preliminary findings about the impact of Indigeneity and race on those outcomes in October 2022. LAO staff then worked with external experts to develop training and education resources to enable LAO staff and roster lawyers to better serve members of Black and other racialized communities. LAO is working on developing similar resources to serve members of Indigenous communities. A final report will be published in 2023-24.

Addressing systemic racism: LAO has funded pre-sentencing reports, known as Impact of Race and Culture Assessments (IRCA), to help address systemic racism and discrimination faced by Black and other racialized people in the justice system. IRCAs are valuable tools for judges to gain a complete picture of the impact of racism, poverty and discrimination on individuals facing criminal charges.

Minimum experience requirements: To ensure that clients continue to receive high-quality services, we updated the standards for roster lawyers so they meet minimum experience criteria, while providing pathways for new lawyers to gain legal aid experience.

2. Demonstrated value for money

LAO is committed to maximizing the impact of every dollar spent, focusing on responsible and efficient allocation of resources, and emphasizing accountability, transparency and cost-effectiveness in delivering services.

Highlights of 2022-23:

Updated policies for improved decision-making: In response to government priorities and to align with our strategic goals, LAO updated procurement, financial management and reporting policies. These updates aim to enhance decision-making processes and promote accountability within the organization and with our partners and funders. The deployment of new guidelines to strengthen controls for core financial processes and procurement will contribute to efficient fund utilization.

Clinic risk policy: LAO developed and deployed a clinic risk management policy and process. This policy establishes principles, steps and timelines for the identification of risks, implementation of controls and mitigation measures to address risks, and determination of the risk level for clinics and student legal service organizations.

Cost savings through office space optimization: LAO achieved significant cost savings by relocating the Provincial Office to a smaller space. The move resulted in approximately \$1.3 million in savings per year on leasing costs.

Open and transparent engagement: Complying with the LASA 2020, LAO actively sought public feedback before implementing significant policy changes or adjustments to its Rules. In 2022-23, LAO consulted on minimum experience requirements for service providers and our clinic risk management policy and process.

Responsible and sustainable funds management: LAO budgeted a small deficit for 2022-23. As a result of increased mixed trust balances (driven by interest rate increases and continued strength in real estate markets) LAO saw Law Foundation of Ontario revenues significantly in excess of forecasts making up more than 40 per cent of total revenues. Alongside increased revenues, certificate costs did not rise as forecast. LAO negotiated agreements with OPSEU (Ontario Public Service Employees Union) bargaining units and allocated compensation budgets for excluded staff and management that were compliant with government direction. The fiscal year ended with a \$108.9 million surplus.

3. Innovative services

LAO responds to evolving client needs and changes in the justice sector, with innovative solutions that enhance service delivery and value for money. LAO is investing in technology and strategies to improve efficiency, reduce costs and increase accessibility to services.

LAO achieved a significant increase in the number of certificates issued each month through the client portal during 2022-23. Client portal usage has increased, accounting for over 9 per cent of all certificates issued. This demonstrates the successful adoption of technology to streamline processes and improve access to legal aid services.

Highlights of 2022-23:

Enhancements to client and lawyer portal systems: LAO has made several enhancements to both portal systems, expanding the range of self-service functions and enhancing overall usability. These advancements empower clients and lawyers to access services and resources more efficiently and conveniently.

Introduced Live Chat: LAO launched and expanded a Live Chat service, enabling clients to access real-time assistance with general inquiries about our legal aid services in both English and French from 11 a.m. to 3 p.m. (ET). The tool directs users to relevant resources on our website, optimizing service channels and ensuring accessibility to our contact centre by phone during off-hours.

Immigration Detention Representation Program (IDRP): In 2022, LAO formally designated the IDRP as a permanent program to support applicants. This program provides representation at immigration and refugee detention proceedings to improve access to legal services for vulnerable refugee clients. In the 2022-23 fiscal year, the staff offices provided representation at 1,493 hearings for 740 clients, while IDRP certificate lawyers represented 487 clients at 831 hearings. A significant majority of Ontario immigration detainees continue to be represented through the IDRP program.

4. Engaged employees

LAO recognizes the importance of a motivated, engaged workforce. LAO is focused on supporting employees to excel in their roles, promoting professional growth, and fostering a positive work environment that enables the organization to thrive.

LAO introduced a range of mandatory and voluntary training and development opportunities for all employees to enhance their skills. We offered a record number of in-house Continuing Professional Development (CPD) sessions accredited by the LSO across various areas, including substantive knowledge, professionalism, EDI (Equity, Diversity and Inclusion), and Law Pro Risk credit.

Throughout 2022-23, LAO sponsored 23 CPD-eligible lunch and learns, attracting over 1,660 participants and garnering more than 1,580 views of the posted content. These sessions provided valuable employee learning opportunities. In addition to the CPD sessions, we conducted 26 business skills and inclusion training programs, both mandatory and optional, in the same period.

Highlights of 2022-23:

Articling student program: Restoring the articling student program has added more opportunities for law graduates to prepare to practice law, gives young lawyers experience in legal aid, and establishes a pathway for talented graduates to transition into lawyer roles within LAO.

Expanded mentoring program: Expanding LAO's mentorship program has provided guidance and support to more LAO employees, which will enhance the development of the staff overall. It aims to improve staff retention and expand the number of staff ready for advancement inside LAO.

Health and safety assessments: LAO has conducted comprehensive health and safety assessments to ensure safety for employees who returned to physical workplaces after the pandemic. We have identified and implemented safeguards to minimize the risk of transmission and maintain a safe and healthy environment for LAO staff and visitors.

Embracing inclusivity: LAO continues to foster an inclusive environment that embraces diversity, equity, and inclusion principles for its employees. This commitment is exemplified by promoting cultural awareness among LAO employees. Gender diversity training drew 865 staff participants. Eight lunch-and-learn events offered staff learning opportunities on key cultural, religious and diversity topics. In 2022, LAO achieved a significant milestone by implementing a mandatory Indigenous cultural awareness program for all employees, and this training will be a requirement for all new hires going forward. A total of 743 employees, as well as Board members, participated in this comprehensive training, which includes the historical experiences of Indigenous people.

5. Effective collaboration

LAO emphasizes collaboration and partnerships to achieve the best outcomes for clients, working with communities and other organizations to coordinate services seamlessly across the justice system to enhance client service.

LAO worked with the courts to restore court-based legal aid services to pre-pandemic levels. During the period from July to December 2022³, as in-person court services began to resume, LAO provided services to 107 per cent of individuals compared to the same period in 2019 in criminal courts. Additionally, we billed 24 per cent more hours during July-December 2022 than in the same period in 2019. Although our progress in family court was slightly lower, with a billed hours rate of 91 per cent of pre-pandemic levels, we continue to work towards improving collaboration in this area as well.

Highlights of 2022-23:

Strengthening relationships: LAO has focused on renewing and strengthening existing relationships, and building new ones, to inform and improve client service. Information sharing with other organizations has supported data-driven decision-making.

Court re-opening and backlog clearance: LAO continued its collaborative work with courts to address the challenges posed by the pandemic, focusing on re-opening courts and clearing backlogs.

Bail initiatives: LAO has been working closely with the justice sector and external experts to evaluate current practices and policies, seeking opportunities for improvement that enhance system effectiveness and deliver better results for clients.

Caselines pilot project: Caselines is an online system for uploading, sharing and presenting family law court documents when legal professionals are preparing for and attending virtual or in-person hearings. As part of this initiative, MAG started utilizing Caselines at several court locations. LAO supported the project by training its duty counsel and legal aid workers on how to use Caselines, to assist legal aid clients and support the efficient functioning of family courts.

National Duty Counsel Day: LAO was proud to take part in this day, along with provincial and territorial members of the Association of Legal Aid Plans of Canada (ALAP). The day raises awareness of the role of duty counsel lawyers, the vital work they do for people in Canada and their role in the justice system.

³ July - December reporting period is used to align with the last two quarters in 2019 unaffected by pandemic shutdowns.

KEY PERFORMANCE INDICATORS (KPI)

Organization health

KPI	Measurement frequency	Last measured	Target	2021-22	2022-23
Turnover	Annual ⁴	Q4 2021-22	10%	6.6%	11.5%
Staff to management ratio	Annual	Q4 2021-22	7 to 1	6.5 to 1	6.8 to 1
Average sick days used per employee	Annual ⁵	Q4 2021-22	10.1 days	8.7 days	10.4 days
Employee engagement	Annual	Q4 2020-21	72%	Comparable measure not available for 2021-22 until next survey	The next survey will be conducted in 2023-24

Financial indicators

KPI	Measurement frequency	Last measured	Target	2021-22	2022-23
Balanced budget	Annual	2021-22	No deficit	(\$14.3M) deficit	\$108.9M surplus
Net Assets	Annual	2021-22	No accumulated deficit	(\$11.4M) deficit	\$97.6M surplus
Cash Balance	Annual	2021-22	\$15M cash	\$52.6M balance	\$109.2M balance

⁴ Calculated by calendar year

⁵ Calculated and reported by calendar year as they are tied to benefits administration

Service measures

KPI	Measurement frequency	Last measured	Target	2021-22	2022-23
% of area office appeals heard within 3 days	Annual	Q4 2021-22	80%	46%	This measure is no longer applicable, as it relates to the structure prior to LASA 2020.
Acceptance rate for certificate applications	Annual	Q4 2021-22	87%	87%	88%
% of calls answered within 3 minutes (L1)	Annual	Q4 2021-22	80%	73%	58%
% of calls answered within 3 minutes (LSC)	Annual	Q4 2021-22	80%	86%	92%
% of calls answered within 3 minutes (In-custody)	Annual	Q4 2021-22	80%	65%	70%
% of calls answered within 20 minutes (L2)	Annual	Q4 2021-22	80%	79%	62%
Overall certificate client satisfaction (% positive responses)	Annual	Q4 2021-22	80%	79%	80%
Overall lawyer satisfaction (% positive responses)	Annual	Q3 2021-22	45%	46%	39%

Analysis of operational performance

Duty counsel services

The duty counsel program of LAO provides legal advice and representation in Ontario's criminal, youth, and family courts. Duty counsel services are provided by LAO staff lawyers and per diem private bar lawyers.

Duty counsel assist eligible individuals who need in-court advice and/or representation. Often, they help the same client multiple times on separate occasions and for different matters.

With courts returning to in-person services, LAO has seen the number of duty counsel assists (online and in-person) increase. Criminal services have returned to pre-pandemic levels while family law in-court services are returning more slowly.

Number of clients served by Duty counsel

Area of law	2018-19	2019-20	2020-21	2021-22	2022-23
Criminal	516,160	516,759	377,694	559,510	630,062
Civil ⁶	138,063	101,927	55,544	67,122	82,673
Total	654,223	618,686	433,238	626,632	712,735

Certificate program

Each year, thousands of lawyers across the province provide legal services as part of LAO's certificate program. LAO provides billing guidelines about the work covered by a certificate, the hourly rate payable, and the maximum hours that LAO will cover for different legal matters. Certificates can be amended to authorize additional work and to cover other costs. LAO also provides oversight and support throughout the case as part of its obligation to its clients and the taxpayers who fund the legal aid system.

LAO staff working at courthouses or on the phone assess whether an individual qualifies for legal help from LAO, and what type of assistance they need. 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 a lawyer to complete the service, based on the typical amount of work required for the service.

⁶ This category consists largely of people assisted in family law courts.

Once a certificate is issued, a client can choose any LAO lawyer from the appropriate roster to represent them. The overall proportion of certificates where a client obtains a lawyer is high but shows some variance between different areas of law. The amount of time that each lawyer can devote to legal aid varies widely. Some lawyers accept a handful of cases while others focus their practice entirely on representing legal aid clients. LAO puts limits on the number of hours that roster lawyers can work on legal aid matters to maintain a high level of quality on service delivery.

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 (there is an 18-month billing deadline from the day a certificate is issued).

Over 2022-23, LAO saw an increase in applications and total certificates issued, with numbers returning to the levels of pre-pandemic years. There was a dramatic rise in the volume of immigration and refugee law certificates, while the number of certificates issued for criminal and family law decreased in 2022-23 compared to the previous year.

Formal applications for certificates by fiscal year⁷

Certificate applications	2018-19	2019-20	2020-21	2021-22	2022-23
Applications made	129,360	120,335	103,077	114,762	122,527

Certificate application outcomes⁸

Outcomes	2018-19	2019-20	2020-21	2021-22	2022-23
Approved	111,588	105,308	94,909	100,419	106,830
Refused	14,024	13,010	6,527	10,700	11,526
Other ⁹	6,380	5,904	2,618	3,420	4,991
Total outcomes recorded	131,992	124,222	104,054	114,539	123,347

⁷ This table is based on applications made in the specific fiscal year

⁸ Application outcomes, which might arise after formal submission, can lead to a slight variance between the numbers of formal applications and their corresponding outcomes by fiscal year.

⁹ 'Other' encompasses administrative outcomes such as client referrals, withdrawn applications, and errors in application creation.

Length of time to determine application outcome

Duration of application system	2018-19	2019-20	2020-21	2021-22	2022-23
Same-day	92,533	87,242	88,743	89,502	90,983
2 to 7 days	12,264	13,134	6,477	10,715	12,981
8 to 14 days	6,835	5,787	2,068	3,588	4,665
15 to 30 days	9,522	8,432	2,410	4,518	6,294
Over 30 days	10,838	9,627	4,356	6,216	8,424
Total outcomes recorded	131,992	124,222	104,054	114,539	123,347
Same-day outcomes	70%	70%	85%	78%	74%

Certificates approved by area of law

Area of law	2018-19	2019-20	2020-21	2021-22	2022-23
Criminal	60,408	60,097	52,068	57,505	56,207
Family	29,401	24,055	28,302	23,774	18,906
Immigration and refugee	16,181	15,502	6,750	11,510	23,688
Other ¹⁰	5,598	5,654	7,789	7,630	8,029
Total certificates issued	111,588	105,308	94,909	100,419	106,830

¹⁰ Other' represents matters before the Consent and Capacity Board, prison law, and matters before civil tribunals.

Acknowledgement rate ¹¹

Area of law	2018-19	2019-20	2020-21	2021-22	2022-23
Criminal	94%	94%	93%	92%	90%
Family	71%	71%	69%	63%	61%
Immigration and refugee	90%	89%	87%	84%	82%
Civil	94%	94%	95%	94%	94%

The certificates acknowledged by a lawyer in a fiscal year is a comparative measure calculated by dividing the number of certificates acknowledged by a lawyer, divided by the number of certificates issued in the same year. For a variety of reasons, including the client's legal matter, personal circumstances and the availability of suitable lawyers, some certificates take longer to acknowledge than others and a small proportion of certificates remain unacknowledged. Since some certificates are acknowledged in future fiscal years, the final acknowledgement rates will be higher than those presented in this table.

Number of lawyers who accepted a LAO certificate

Lawyers	2018-19	2019-20	2020-21	2021-22	2022-23
Number of lawyers	3,418	3,326	3,266	3,146	2,932

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

Fees	2018-19	2019-20	2020-21	2021-22	2022-23
\$100K to \$250K	639	665	431	598	604
Over \$250K	94	73	46	68	78
Total	733	738	477	666	682

¹¹ Percentage of certificates acknowledged by a lawyer in the fiscal year which were issued in the same fiscal year

Average cost of a completed certificate by area of law

Area of law	2018-19	2019-20	2020-21	2021-22	2022-23
Criminal	\$1,815	\$1,750	\$1,672	\$1,667	\$1,674
Family	\$3,496	\$3,525	\$3,490	\$3,555	\$3,927
Immigration and refugee	\$2,401	\$2,076	\$2,028	\$2,204	\$2,242
Other	\$1,571	\$1,453	\$1,345	\$1,329	\$1,375
Overall average cost	\$2,180	\$2,089	\$1,947	\$2,007	\$2,058

Average lifetime of a completed certificate (in months)

Area of law	2018-19	2019-20	2020-21	2021-22	2022-23
Criminal	7.5	7.6	8.9	9.4	9.7
Family	14.9	15.1	16.2	16.7	18.5
Immigration and refugee	15.7	14.7	17.3	18.7	16.1
Other	3.6	3.5	3.3	3.3	3.3
Total	9.4	9.5	10.0	10.9	11.0

Poverty law services

Case work is at the centre of the poverty law work of legal aid clinics, with almost 110,000 files opened in 2022-23 (13 per cent greater than the previous year). These cases often relate to income supports such as Ontario Works, Ontario Disability Support Program or workers' compensation. As shown in the table, clinic-based poverty law services also include Tenant Duty Counsel Assists, referrals to (or help contacting) other legal and social services, and initiatives such as public legal education and various other advocacy activities.

Service Type/year	2018-19	2019-20	2020-21	2021-22	2022-23
Cases opened	127,433	128,399	85,818	96,931	109,835
Referrals	39,987	45,195	35,882	45,299	49,338
Initiatives	6,232	5,768	6,779	6,434	5,507
Tenant DC Assists	92,676	70,310	25,521	67,686	67,092

FINANCIAL STATEMENTS DISCUSSIONS AND ANALYSIS

The Financial Statements Discussion and Analysis (FSD&A) is intended to assist readers in understanding the results of LAO's financial performance for the year ended March 31, 2023.

This report should be read in conjunction with the audited financial statements of LAO for the year ended March 31, 2023, prepared in accordance with Public Sector Accounting Standards (PSAS), and the accompanying notes, which form a part of those statements.

Overview

The 2022-23 financial statements show a significantly improved fiscal position compared to the 2022-23 budget. In 2022-23, total revenue was \$577.7 million – this was 24 per cent, or \$112.1 million higher than LAO's 2022-23 budget. Higher-than-expected revenues exceeded expenses, leaving LAO with a \$108.9 million surplus in 2022-23, which puts LAO in a substantively better position to continue investing in high-quality legal aid services for low-income Ontarians.

LAO entered the 2022-23 fiscal year continuing to face the effects of the COVID-19 pandemic, placing it in a challenging financial position with a projected 2022-23 operating deficit of \$16.4 million that was approved for 2022-23. LAO greatly benefited from an unanticipated favourable variance in the LFO revenue due to the Bank of Canada (BoC) increasing its overnight interest rate eight times during the 2022-23 fiscal year. Due to the combined effect of increased LFO revenue and lower than anticipated certificate issuance and expenses, LAO ended the fiscal year with a net operating surplus of \$108.9 million. However, the surplus recorded in the 2022-23 financial statements is not necessarily indicative of future results, given LAO's highly variable funding model. LAO's revenue base is unpredictable because it is, in part, dependant on rapidly changing BoC interest rates and housing market uncertainty, creating challenges for building a practical and responsible long-term fiscal plan. Despite these challenges, LAO is committed to providing high-quality legal aid services to low-income clients while achieving efficiencies, and to ensure our long-term sustainability in providing access to justice for low-income Ontarians.

Highlights

2022-23 Financial Highlights (\$000's)

Statement of Operations for the year ended March 31

			Change from		
	2022-23 Budget	2022-23 Actual	2021-22 Actual	2022-23 Budget	2021-22 Actual
Revenue	(a)	(b)	(c)	(b-a)	(b-c)
Government Funding	371,892	331,629	380,749	(40,263)	(49,120)
Law Foundation of Ontario	82,000	231,787	44,585	149,787	187,202
Protocol Cases	0	8,367	7,485	8,367	882
Other ¹	11,700	5,961	8,427	(5,739)	(2,466)
Total Revenue	465,592	577,744	441,246	112,152	136,498
Expenses	(a)	(b)	(c)	(b-a)	(b-c)
Certificate Program	212,500	188,491	196,359	(24,009)	(7,868)
Staff Offices	19,228	21,367	19,512	2,139	1,855
Protocol Cases	0	8,060	7,485	8,060	575
Duty Counsel	62,391	63,179	57,687	788	5,492
Clinic Program	101,787	101,806	97,782	19	4,024
Service Innovation Projects	2,221	1,813	2,103	(408)	(290)
Program Support	28,310	28,416	26,896	106	1,520
Service Provider Support	8,844	8,768	8,282	(76)	486
Administration and Other Cost ²	46,719	46,896	39,432	177	7,464
Total Expenses	482,000	468,796	455,538	(13,204)	13,258
Annual Surplus/(Deficit)	(16,408)	108,948	(14,292)	125,356	123,240

1. Includes Client Contributions, Client and other recoveries, and Investment Income.

2. Other cost includes Depreciation/amortization and Bad Debt Expenses.

(\$000's)

2022-23
Budget2022-23
Actual2021-22
Actual2022-23
Budget2021-22
Actual**Statement of Financial Position
As at March 31**

		<i>a</i>	<i>b</i>		<i>a-b</i>
Assets		203,157	97,001		106,156
Liabilities		105,565	108,357		(2,792)
Net Assets:					
Unrestricted Net Assets		76,035	(11,500)		87,535
Contingency Reserve Fund		20,000	0		20,000
Invested Capital Assets		1,557	144		1,413
Total Net Assets		97,592	(11,356)		108,948

Financial highlights

- LAO entered the 2022-23 fiscal year with a projected net operating deficit of \$16.4 million and closed the year with a net operating surplus of \$108.9 million – a \$125.3 million more favourable position than the budgeted operating deficit, primarily due to increased LFO revenue. LAO benefited from the BoC increasing its overnight interest rate frequently, and the mixed trust balances that the interest is calculated on staying strong.
- Total revenue was \$577.7 million, which was \$112.1 million or 24 per cent higher than the 2022-23 budget, mainly due to higher LFO revenue.
- Total expenses were \$468.8 million, which was \$13.2 million or 2.7 per cent lower than the 2022-23 budget, primarily attributed to lower certificate expenses because fewer certificates were issued. The number of certificates issued returned to pre-pandemic levels, but that total volume was still less than what was forecast. The lower certificate expense was partially offset by higher per diem duty counsel expenses due to increased courthouse operations, such as offering parallel in-person and remote services, and changes in reporting the cost and funding of protocol cases.
- Total assets were \$203.2 million, which were higher by \$106.2 million or 109.5 per cent over 2021-22. This was primarily due to additional LFO revenue.
- Unrestricted net assets were \$76 million, which were higher than 2021-22 by \$87.5 million or 760.9 per cent, mainly due to increased LFO revenue and lower certificate expense.
- In 2022-23, LAO was able to fund its Contingency Reserve Fund (CRF) to the maximum permitted amount of \$20 million as per the LASA 2020 and its regulations, primarily due to the increased LFO revenue.

Analysis of 2022-23 Results

Revenue

Details of 2022-23 Actual Results (\$000's)

	Change from				
	2022-23 Budget	2022-23 Actual	2021-22 Actual	2022-23 Budget	2021-22 Actual
Revenue	(a)	(b)	(c)	(b-a)	(b-c)
Government Funding:					
Ontario Government	268,064	226,215	288,789	(41,849)	(62,574)
Government of Canada	103,828	105,414	91,960	1,586	13,454
Law Foundation of Ontario	82,000	231,787	44,585	149,787	187,202
Protocol Cases ¹	0	8,367	7,485	8,367	882
Other ²	11,700	5,961	8,427	(5,739)	(2,466)
Total Revenue	465,592	577,744	441,246	112,152	136,498

Revenue change from the 2022-23 budget

Revenue for 2022-23 was \$577.7 million, which was \$112.1 million (or 24 per cent) higher than projected in the 2022-23 budget, mainly due to higher LFO revenue.

- The provincial funding was \$41.8 million lower than projected in the 2022 budget, primarily due to a reduction of provincial transfer payment funding related to February and March payments. The reduction of funding is primarily due to the increased LFO revenue. This reduction is in addition to \$52 million earmarked in the 2022 Ontario budget to support the sustainability of LAO operations impacted by the COVID-19 pandemic.
- The LFO revenue was \$149.8 million higher than predicted in the 2022 budget due to the record number of increases in overnight interest rates by the BoC and mixed trust balances remaining strong in 2022-23.
- Other revenue was \$5.7 million lower than anticipated in the 2022 budget, mainly due to the discontinuation of non-lien client contribution agreements and the estimation of accounts receivable work in progress.

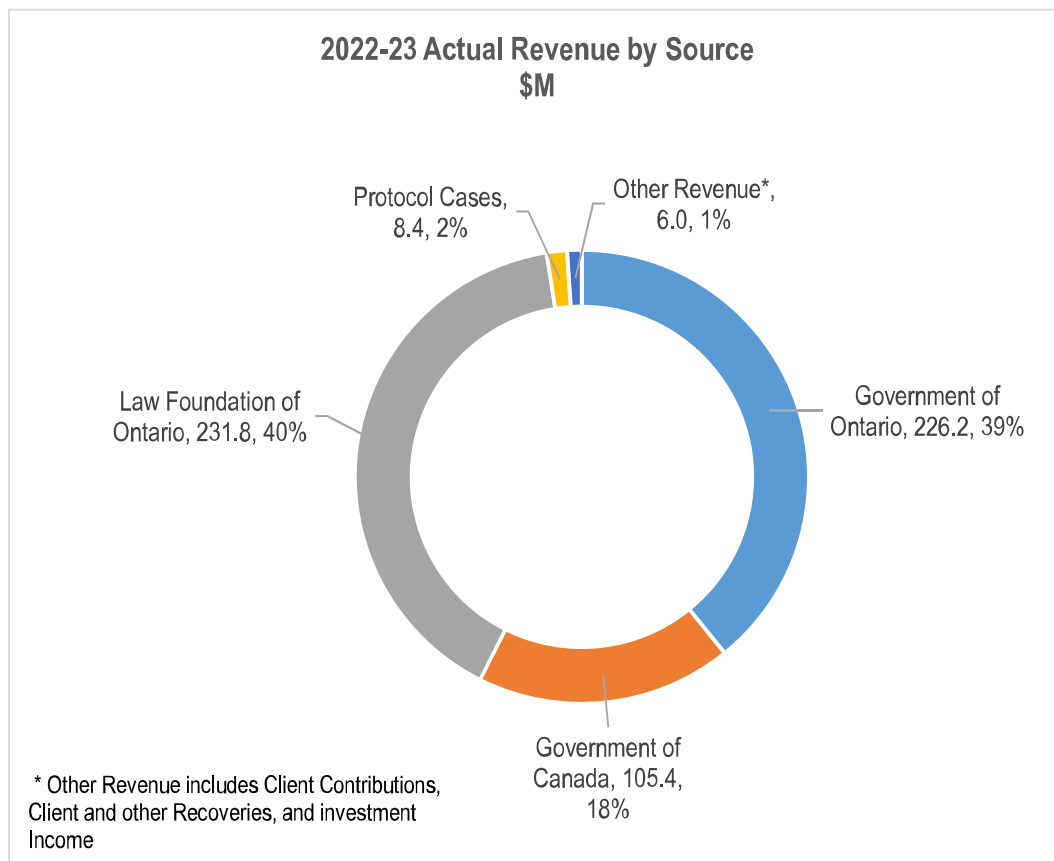
1. Protocol cases are billings for cases that are assigned to LAO through the courts and recovered from the Ministry of the Attorney General. The reporting presentation changed in 2022-23, where the funding and expenses are now reported separately.

2. Includes Client Contributions, Client and other recoveries, and Investment Income.

Revenue change from 2021-22 actuals

Total revenue for 2022-23 increased by \$136.5 million, or 31 per cent, from 2021-22.

- Provincial funding decreased by \$62.6 million or was 22 per cent lower than in 2021-22, mainly due to the removal of one-time \$20 million funding provided to LAO in 2021-22 to address cash flow pressures, and a reduction of \$43 million in transfer payment funding because of additional revenue LAO received from LFO.
- Federal funding was \$13.4 million, or 15 per cent higher than in 2021-22, due to:
 - \$7.3 million for the increased cost of Immigration and Refugee program because of higher volumes.
 - \$6.1 million for additional criminal legal aid funding.
- LFO revenue was \$187.2 million, or 420 per cent higher than in 2021-22, due to the BoC of Canada increasing interest rates eight times during the 2022-23 fiscal year, and mixed trust balances remaining strong.



Expenses

Details of 2022-23 Actual Results (\$000's)

	2022-23 Budget	2022-23 Actual	2021-22 Actual	Change from 2022-23 Budget	2021-22 Actual
Expenses	(a)	(b)	(c)	(b-a)	(b-c)
Certificate Program (see breakdown below)	212,500	188,491	196,359	24,009	(7,868)
Protocol Case	0	8,060	7,485	(8,060)	575
Staff Offices	19,228	21,367	19,512	(2,139)	1,855
Duty Counsel	62,391	63,179	57,687	(788)	5,492
Clinic Program	101,787	101,806	97,782	(19)	4,024
Service Innovation Projects	2,221	1,813	2,103	408	(290)
Program Support	28,310	28,416	26,896	(106)	1,520
Service Provider Support	8,844	8,768	8,282	76	486
Administration and Other Cost ¹	46,719	46,896	39,432	(177)	7,464
Total Expenses	482,000	468,796	455,538	13,204	13,258

	2022-23 Budget	2022-23 Actual	2021-22 Actual	Change from 2022-23 Budget	2021-22 Actual
(\$000's)					
Certificate Program:	a	b	c	b-a	b-c
Criminal - Big Case Management (BCM)	24,000	23,552	23,002	448	550
Criminal - Non BCM	84,000	73,075	76,599	10,925	(3,524)
Family	70,000	56,897	66,469	13,103	(9,572)
Immigration and Refugee	25,000	25,157	21,130	(157)	4,027
Other Civil	9,500	9,810	9,159	(310)	651
Total Certificate Program	212,500	188,491	196,359	24,009	(7,868)

1. Other cost includes Depreciation/amortization and Bad Debt Expenses.

Expense change from the 2022-23 budget

Total expenses in 2022-23 were \$468.8 million, which were \$13.2 million or 2.7 per cent lower than the 2022 budget. The lower spending was primarily attributed to:

- Lower than projected certificate program expenses due to lower than anticipated issuance.
- The lower certificate expense was partially offset by higher per diem duty counsel expenses due to increased courthouse operations, changes in reporting the cost and funding of protocol cases, and additional clinic expenses.

Expense change from 2021-22 actuals

Total expenses increased by \$13.3 million, from \$455.5 million in 2021-22 to \$468.8 million in 2022-23. The increases are mainly due to the following service delivery-related expenditures and associated supporting costs:

- Staff offices (e.g., family, criminal, integrated, refugee law offices) expenses increased by \$1.9 million over 2021-22, primarily due to increased staffing costs for direct client services.
- Duty Counsel (DC) expenses grew by \$5.5 million over 2021-22, mainly due to an increase in both service levels and staffing.
- Clinic expenses increased by \$4 million over 2021-22, primarily due to increased funding and additional costs for the purchase of computer hardware/software.
- Program Support (e.g., Client and Legal Service Centre, Regional operations, and District/Area office services) expenses increased by \$1.5 million over 2021-22, due to additional staffing costs and capitalized internal resources (\$0.9M client portal) for modernization projects in 2021-22.
- Administration costs increased by \$5.6 million over 2021-22 due to capitalized internal resources (\$3M from IT) for modernization projects in 2021-22.
- Other costs increased by \$1.9 million over 2021-22, primarily due to additional amortization and bad debt expenses.
- The above expense increases were partially offset by lower certificate expenses due to lower issuance (\$7.9) million.

Conclusion

LAO entered the fiscal year continuing to face a challenging financial position with an approved projected operating deficit of \$16.4 million in 2022-23. However, LAO benefited from BoC interest rate increases and a strong housing market, which resulted in historic LFO revenue of \$231.8 million. With the additional LFO revenue, along with prudent financial management and stewardship of resources, LAO ended the fiscal year 2022-23 with a net operating surplus of \$108.9 million. LAO is working toward impactful, client-focused strategic investments in 2023-24 and beyond.

LEGAL AID ONTARIO
AUDITED
FINANCIAL
STATEMENTS
2022 - 2023



LEGAL AID ONTARIO

AIDE JURIDIQUE ONTARIO

**Legal Aid Ontario
Financial Statements
For the year ended March 31, 2023**

Appendix A

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Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian Public Sector Accounting Standards with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.



David Field
President and
Chief Executive Officer

June 27, 2023



Jennifer Ankrett
Chief Administrative Officer
and Vice President

June 27, 2023



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

INDEPENDENT AUDITOR'S REPORT

To Legal Aid Ontario

Opinion

I have audited the financial statements of Legal Aid Ontario (LAO), which comprise the statement of financial position as at March 31, 2023, 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Toronto, Ontario
June 27, 2023

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

Legal Aid Ontario

Statement of Financial Position

	March 31, 2023 (\$000's)	March 31, 2022 (\$000's)
ASSETS		
Current Assets		
Cash (Note 14)	\$ 109,241	\$ 52,529
Investments (Note 5)	-	51
Prepaid expenses and other assets	3,195	2,578
Client accounts receivable, net of allowance (Note 4(a))	1,076	5,160
Other receivables (Note 4(b))	69,004	14,420
	182,516	74,738
Long-term client accounts receivable, net of allowance (Note 4(a))	14,221	15,946
Capital assets (Note 6)	6,420	6,317
	\$ 203,157	\$ 97,001
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 97,838	\$ 99,412
Deferred capital contributions (Note 8)	4,863	6,173
	102,701	105,585
Long-Term Liabilities		
Accrued pension liability (Note 12)	2,864	2,772
Net Assets (Deficit)		
Unrestricted Net Assets (Deficit)	76,035	(11,500)
Invested in Capital Assets (Note 9)	1,557	144
Contingency Reserve Fund (Note 14)	20,000	-
	97,592	(11,356)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 203,157	\$ 97,001



Steve Pengelly, Chair

The accompanying notes are an integral part of these financial statements.

Legal Aid Ontario

Statement of Operations

For the year ended March 31

2023
(\$000's)

2022
(\$000's)

REVENUE

Government funding (Notes 1(a, b and c))	\$ 331,629	\$ 380,749
The Law Foundation of Ontario funding	231,787	44,585
Protocol Cases (Note 2)	8,367	7,485
Client contributions	2,363	5,339
Client and other recoveries	2,188	2,046
Investment income (Note 5)	1,008	154
Miscellaneous income	402	888
TOTAL REVENUE	\$ 577,744	\$ 441,246

EXPENSES (Note 3)

Client Programs

Certificate Program

Criminal - Big cases	\$ 23,552	\$ 23,002
Criminal - Others	73,075	76,599
Sub-total	96,627	99,601
Family	56,897	66,469
Immigration and refugee	25,157	21,130
Other civil	9,810	9,159
Sub-total	188,491	196,359
Protocol Cases (Note 2)	8,060	7,485
Settlement conferences	176	197
Family law offices	6,135	5,706
Integrated law offices	4,241	4,291
Criminal law offices	3,636	3,276
Refugee law office	4,138	3,747
Articling students	58	-
Nishnawbe-Aski Legal Services Corporation	2,983	2,295
Certificates	217,918	223,356

The accompanying notes are an integral part of these financial statements.

Legal Aid Ontario

Statement of Operations

For the year ended March 31	2023 (\$000's)	2022 (\$000's)
EXPENSES (continued)		
Staff Services Office		
Duty counsel fees and disbursements	59,703	54,455
Expanded duty counsel	3,476	3,232
Sub-total	63,179	57,687
Clinic Services		
Clinic law services (Note 10)	95,507	91,323
Student legal aid services societies	5,491	5,403
Clinic information management project	808	1,056
Sub-total	101,806	97,782
Service Innovation Projects		
Other	\$ 1,813	\$ 2,103
Program Support		
Regional operations	\$ 2,256	\$ 2,314
District/Area office services	12,835	12,275
Client and legal service centre	13,325	12,307
Sub-total	28,416	26,896
TOTAL CLIENT PROGRAMS	413,132	407,824

The accompanying notes are an integral part of these financial statements.

Legal Aid Ontario

Statement of Operations

For the year ended March 31	2023 (\$000's)	2022 (\$000's)
EXPENSES (continued)		
Service Provider Support		
Research facilities	3,339	3,426
Lawyers' services and payments	5,429	4,856
Sub-total	8,768	8,282
Administrative and Other Costs		
Provincial office	40,222	34,645
Amortization	2,680	1,531
Loss on disposal of capital assets	547	-
Bad debts	3,447	3,256
Sub-total	46,896	39,432
TOTAL EXPENSES	468,796	455,538
Excess (deficiency) of revenue over expenses for the year	\$ 108,948	\$ (14,292)

The accompanying notes are an integral part of these financial statements.

Legal Aid Ontario

Statement of Changes in Net Assets (Deficit)

For the year ended March 31, 2023

(\$000's)	Invested Capital Assets Note 9	Unrestricted	Contingency Reserve Fund	2023 Total	2022 Total
Net assets (deficit), beginning of year	\$ 144	\$ (11,500)	\$ -	\$ (11,356)	\$ 2,936
Net change in capital assets	103	(103)	-	-	-
Deferred capital contributions	1,310	(1,310)	-	-	-
Excess (deficiency) of revenues over expenses for the year	-	108,948	-	108,948	(14,292)
Transfer to contingency reserve fund (Note 14)	-	(20,000)	20,000	-	-
Net assets (deficit), end of year	<u>\$ 1,557</u>	<u>\$ 76,035</u>	<u>\$ 20,000</u>	<u>\$ 97,592</u>	<u>\$ (11,356)</u>

The accompanying notes are an integral part of these financial statements.

Legal Aid Ontario

Statement of Cash Flows

For the year ended March 31	2023 (\$000's)	2022 (\$000's)
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ 108,948	\$ (14,292)
Non-cash operating activity:		
Amortization of capital assets	2,680	1,531
Amortization of deferred capital contributions	(1,310)	(608)
Loss on disposal of capital assets	547	-
Changes in non-cash balances:		
Accrued pension liability	92	488
Accrued interest on investments	-	108
Prepaid expenses and other assets	(617)	150
Client accounts receivable	4,084	3,180
Other receivables	(54,584)	(3,259)
Long-term client accounts receivable	1,725	1,676
Accounts payable and accrued liabilities	(1,574)	3,182
	59,991	(7,844)
INVESTING ACTIVITIES		
Redemption of Investment	51	25,000
Deferred capital contributions	-	6,781
	51	31,781
CAPITAL ACTIVITY		
Purchase of capital assets	(3,330)	(5,501)
Net increase in cash during the year	56,712	18,436
Cash, beginning of year	52,529	34,093
Cash, end of year	\$ 109,241	\$ 52,529

The accompanying notes are an integral part of these financial statements.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (LAO) was incorporated without share capital under the laws of Ontario. LAO began operations on April 1, 1999 and is tax exempt under the *Income Tax Act* (Canada). In October 2021, the new *Legal Aid Services Act, 2020* was proclaimed and currently sets out the legal authority of Legal Aid Ontario.

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

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

The affairs of LAO are governed and managed by a Board of Directors appointed by the Lieutenant Governor in Council. While LAO 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, 2023

FINANCIAL INSTRUMENTS

LAO's financial instruments consist of cash, investments, client accounts receivable, other receivables, and accounts payable and accrued liabilities.

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

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

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

REVENUE RECOGNITION

LAO follows the deferral method of accounting for contributions.

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

Externally restricted contributions are deferred when initially recorded and recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when initially recorded in the accounts if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when LAO records a lawyer's invoice on behalf of a client. Judgment awards, costs and settlements on behalf of legal aid clients are recognized as revenue when awarded.

Investment income, which consists of interest, is recorded in the statement of operations as earned.

Protocol case revenue is recognized when billings are received from the lawyers. Protocol cases are billings for cases that are assigned to LAO through the courts and recovered from Ministry of the Attorney General (MAG) and Department of Justice (DOJ).

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to LAO by lawyers and an estimate of amounts for work performed by lawyers but not yet billed.

CAPITAL ASSETS

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

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

EMPLOYEE BENEFIT PLANS

LAO 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 LAO's cost of borrowing. Contributions to the defined contribution pension plan are recorded on an accrual basis.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

1. Government Funding

The Agencies and Appointments Directive requires LAO and the Ministry of the Attorney General (“MAG”) to enter into a Memorandum of Understanding (“MOU”). The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between MAG and LAO. Following the proclamation of the new *Legal Aid Services Act 2020*, LAO signed a new MOU on November 14, 2022.

- a. LAO is economically dependent on government funding and the Law Foundation of Ontario (“LFO”): the proportion of LAO’s revenue from these funds represented 57% (2022 - 86%) and 40% (2022 - 10%) respectively. Total contributions received from MAG and the Federal Government are as shown below:

	2023 (\$000’s)	2022 (\$000’s)
Government funding	<u>\$ 331,629</u>	<u>\$ 380,749</u>

- b. Included in government funding for the year ended March 31, 2023 is an amount of \$105.4 million (2022 - \$92.0 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 \$61.2 million (2022 - \$55.1 million), under the *Youth Criminal Justice Act*; and \$44.2 million (2022 - \$36.9 million) for Immigration and Refugee cases.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

2. Protocol Cases

	2023 (\$000's)	2022 (\$000's)
Provincial Protocol Revenue	\$ 8,015	\$ 7,252
Federal Protocol Revenue	352	233
Total	\$ 8,367	\$ 7,485
Provincial Protocol Costs	\$ 7,605	\$ 7,252
Federal Protocol Costs	455	233
Total	\$ 8,060	\$ 7,485

3. Expenses by Object

The table below provides totals for each expense category:

	2023 (\$000's)	2022 (\$000's)
Salaries and wages	\$ 100,357	\$ 94,303
Employee benefits	26,238	20,589
Transportation and communication	1,812	840
Services	223,857	227,302
Supplies and equipment	17,186	14,474
Amortization	2,680	1,530
Transfer payments - External (Clinics)	96,119	96,500
Loss on disposal of capital assets	547	-
	\$ 468,796	\$ 455,538

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

4. Accounts Receivable

(a) Client accounts receivable

LAO has a client contribution program for legal aid applicants who do not meet LAO'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 LAO over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

March 31, 2023 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 days
Client accounts receivable	\$ 44,713	\$ 34	\$ 134	\$ 35	\$ 44,510
Less: impairment allowance	\$ (29,416)	(12)	(53)	(19)	(29,332)
	\$ 15,297	\$ 22	\$ 81	\$ 16	\$ 15,178

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

	2023 (\$000's)	2022 (\$000's)
Represented by:		
Current (non-lien) client accounts receivable	1,076	5,160
Long-term (lien) client accounts receivable	14,221	15,946
	\$ 15,297	\$ 21,106

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

4. 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, 2023 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 days
Federal I&R Funding	\$ 13,812	\$ 13,812	\$ -	\$ -	\$ -
MAG protocol cases	2,301	2,301	-	-	-
DOJ protocol cases	271	271	-	-	-
HST receivable	7,788	3,316	2,303	-	2,169
Law Foundation of Ontario	44,246	44,246	-	-	-
Other receivables	586	501	-	30	55
Total other receivables	<u>\$ 69,004</u>	<u>\$ 64,447</u>	<u>\$ 2,303</u>	<u>\$ 30</u>	<u>\$ 2,224</u>

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

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

5. Investments

	2023 (\$000's)	2022 (\$000's)
Guaranteed investment certificates	\$ -	\$ 51
Accrued interest	-	-
	<u>\$ -</u>	<u>\$ 51</u>

LAO'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. No investments were held in March 31, 2023 (2022 - \$0.051 million). LAO earned investment income of \$1.0 million in 2023 (2022 - \$0.2 million).

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

6. Capital Assets

	Office furniture & equipment	Computer hardware	Leasehold improvement	Enterprise wide software	Total
2023 (\$000's)					
Cost					
Balance, open	\$ 152	\$ 2,554	\$ 2,292	\$ 20,380	\$ 25,378
Additions	10	826	-	2,494	3,330
Disposals	(17)	(500)	(1,311)	-	(1,828)
Balance, close	145	2,880	981	22,874	26,880
Accumulated Amortization					
Balance, open	92	1,274	1,397	16,298	19,061
Amortization	31	775	174	1,700	2,680
Disposals	(10)	(500)	(771)	-	(1,281)
Balance, close	113	1,549	800	17,998	20,460
Net book value	\$ 32	\$ 1,331	\$ 181	\$ 4,876	\$ 6,420

2022 (\$000's)					
Cost					
Balance, open	\$ 145	\$ 2,101	\$ 2,663	\$ 15,628	\$ 20,537
Additions	7	742	-	4,752	5,501
Disposals	-	(289)	(371)	-	(660)
Balance, close	152	2,554	2,292	20,380	25,378
Accumulated Amortization					
Balance, open	62	920	1,580	15,628	18,190
Amortization	30	643	188	670	1,531
Disposals	-	(289)	(371)	-	(660)
Balance, close	92	1,274	1,397	16,298	19,061
Net book value	\$ 60	\$ 1,280	\$ 895	\$ 4,082	\$ 6,317

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

7. Accounts Payable and Accrued Liabilities

	2023 (\$000's)	2022 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 15,713	\$ 17,208
- estimate of work performed but not yet billed	68,081	69,100
Rent agreements	1,179	1,393
Trade and other payables	7,376	5,890
Vacation pay	5,489	5,821
	\$ 97,838	\$ 99,412

8. Deferred Capital Contributions

The change in the deferred contributions balance is as follows:

	2023 (\$000's)	2022 (\$000's)
Balance, beginning of year	\$ 6,173	\$ -
Add: Contributions for capital assets	-	6,781
Less: Amount recognized as revenue in the year	(1,310)	(608)
	\$ 4,863	\$ 6,173

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

9. 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. Certain amounts in the prior year have been reclassified in order to conform to the current year's presentation. Changes in net assets invested in capital assets during the year consist of the following:

	2023 (\$000's)	2022 (\$000's)
Balance, beginning of year	\$ 144	\$ 2,347
Purchase of capital assets	3,330	5,501
Loss on disposal of capital assets	(547)	-
Deferred capital contributions recognized in year	1,310	(6,173)
Amortization	(2,680)	(1,531)
Balance, end of year	\$ 1,557	\$ 144

10. Clinic Law Services

LAO 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, LAO under Section 5 of the *Legal Aid Services Act, 2020*. Each community clinic is independently audited and is required to provide audited financial statements to LAO for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2023 (\$000's)	2022 (\$000's)
Payments to and on behalf of clients	\$ 95,507	\$ 91,323

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

11. Commitments and Contingencies

- a. LAO leases equipment, and various office premises at locations throughout the Province. The rent and estimated operating costs are based on existing lease agreements and charges for additional rent. Estimated lease expenses for the next five years and thereafter are as follows:

	Base rent (\$000's)	Operating costs (\$000's)	Equipment (\$000's)	Total (\$000's)
2024	\$ 2,014	\$ 1,944	\$ 38	\$ 3,996
2025	2,052	433	29	2,514
2026	1,663	164	26	1,853
2027	1,612	154	26	1,792
2028	1,112	149	18	1,279
Thereafter	800	805	-	1,605
	<u>\$ 9,253</u>	<u>\$ 3,649</u>	<u>\$ 137</u>	<u>\$ 13,039</u>

- b. LAO 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 \$0.8 million (2022 - \$0.4 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.
- c. A number of unions challenged the legality of *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (the Act or Bill 124), which limited public sector wage increases to 1% per year for a three-year moderation period. The Superior Court of Justice, in a decision issued November 29, 2022, held that the Act violated the applicants' right to freedom of association under section 2(d) of the *Canadian Charter of Rights and Freedoms* by interfering with collective bargaining rights. As a result, it was declared to be "void and of no effect. The Ontario government has appealed the Superior Court's decision.

The likelihood, timing or extent of any potential liability is uncertain at this time.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

12. Pensions

LAO 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 969 (2022 - 924) employees. Pension expense for the year relating to this component of the plan was \$8.4 million (2022 - \$8.6 million).

Defined benefit component

The defined benefit component of the plan covers a total of 15 employees; there is 1 active participant (2022 - 1) and 14 retirees (2022 - 14). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employee, which is zero as at March 31, 2023. 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 2023, and the next actuarial valuation of the Plan for funding purposes will be prepared for the period ended January 1, 2026.

It was determined that a full valuation allowance is required against the defined benefit pension plan asset in accordance with public sector accounting standards. LAO measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	2023 (\$000's)	2022 (\$000's)
Accrued benefit obligation	\$ 3,604	\$ 3,469
Fund assets at market value	4,533	4,743
Funded status - plan surplus	929	1,274
Unamortized net actuarial loss (gain)	-	-
Net pension asset	929	1,274
Valuation allowance, beginning of year	(1,274)	(754)
(Increase) decrease valuation allowance	345	(520)
Valuation allowance, end of year	\$ (929)	\$ (1,274)

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

12. Pensions (continued)

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

	2023 (\$000's)	2022 (\$000's)
Current period benefit cost	\$ 8	\$ 8
Amortization of actuarial losses (gains)	410	(454)
Interest revenue	(67)	(67)
	<u>\$ 351</u>	<u>\$ (513)</u>

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

	2023	2022
Accrued benefit obligation		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

	2023	2022
Benefit expense		
Discount rate	4.66%	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:

	2023 (\$000's)	2022 (\$000's)
Employer contributions	\$ 6	\$ 6
Employee contributions	3	3
Benefits paid	268	268

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

12. Pensions (continued)

Supplementary Executive Benefit Plan

The Board of LAO 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 LAO as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2023.

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

	2023	2022
Discount rate	3.43%	2.60%
Inflation	3.30%	2.58%

LAO's pension expense for the year for this plan was \$0.18 million (2022 - \$0.18 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2023 was \$2.86 million (2022 - \$2.77 million). During the year, LAO made \$0.12 million (2022 - \$0.16 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2023	2022
Accrued Pension Liability		
Supplementary executive benefit plan	\$ 2,864	\$ 2,772

March 31, 2023

13. Financial Instruments Risks

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

Credit Risk

LAO is exposed to credit risk in connection with its accounts and other receivables and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable is recorded net of any allowances for impairment (note 4 (a)).

Liquidity Risk

LAO has a limited risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. LAO has a sufficient cash reserve for the near term, but the historical variability of government funding and Law Foundation of Ontario revenue have the potential for future liquidity risk. To manage liquidity and ensure that LAO gets stable funding for future years, LAO is continuing to work closely with MAG to monitor financial performance and expected funding needs. If stable funding is unavailable, LAO's level of services to its clients may be impacted and reduced.

14. Contingency Reserve Fund

The *Legal Aid Services Act, 2020* came into force in October 2021. Section 28(3) of LASA 2020 requires LAO to maintain a contingency reserve fund in accordance with the regulations. Section 5 of Ontario Regulation 672/21 requires LAO to maintain and operate a contingency reserve fund in accordance with prescribed requirements, including that LAO shall, when it is able to do so without affecting the provision of legal aid services, pay capital amounts from its net accumulated surpluses into the fund. Under section 5.2, the total capital amount of the fund shall not exceed \$20,000,000. At March 31, 2023, LAO has allocated \$20,000,000 to the Contingency Reserve Fund (2022 - \$nil). As at March 31, 2023, included in the cash balance is \$20,000,000 (2022- \$Nil) to reflect the amount restricted for the Contingency Reserve Fund.

Pursuant to Section 5.4 of O. Reg. 672/21, LAO may, subject to section 5.5, withdraw capital amounts from the fund for the purpose of covering its operating expenses. Section 5.5 states that LAO "shall not withdraw capital amounts of a total amount that exceeds \$1,000,000 in a fiscal year without the Minister's approval." Section 5.7 of O. Reg. 672/21 requires LAO to notify the Minister of each withdrawal of capital. However, under section 5.8, LAO may, without notice to the Minister, withdraw interest or investment income from the fund at any time for the purpose of providing legal aid services.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2023

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

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