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LEGAL AID ONTARIO  
AIDE JURIDIQUE ONTARIO

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July 2001

The Honourable David Young  
Attorney General for Ontario  
720 Bay Street  
Toronto ON M5G 2K1

Dear Minister:

Legal Aid Ontario submits to you the 1st Annual Report of the newly formed Legal Aid Ontario corporation for the year ended March 31, 2000, pursuant to the provisions of Section 72 of the Legal Aid Services Act, 1998.

Yours very truly,

Hon. Sidney B. Linden  
Chair

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## Message from the Chair

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Legal Aid Ontario begins its new life with the goal of resuming its role as a world leader in providing innovative and high quality legal aid services. By virtue of the *Legal Aid Services Act*, Legal Aid Ontario has been transformed from a program developed and administered by the Law Society, into a province-wide agency with a scope and authority that are appropriate for an organization of its responsibility and size.

The full appointment of the Legal Aid Ontario Board has been instrumental in helping us set new goals. The Board boasts a committed mix of lawyers, community and consumer representatives and people with financial, management and business expertise and is playing an important role in setting out broad policy direction. Legal Aid Ontario is well positioned to take its place as a vital part of Ontario's justice system.

A great deal of quality work has already begun on what has been described as the "reform" of Legal Aid. The technological revolution seen in the world that our clients and we live in has inspired the development of a far-reaching and forward-looking vision of how technology will assist Legal Aid Ontario to serve its clients and other people who provide services on behalf of Legal Aid. New information is changing how we work and what work we can do.

While the organization has a new name, our mandate and goals remain the same as they were in 1967—to provide client-focused services that expand access to justice, close service gaps and meet quality assurance measures so that more people can have access to high quality legal aid services. By focusing the work we do on the multi-faceted needs of our clients, we will continue to develop innovative and flexible legal aid services. We have many partners, including private lawyers, clinics, shelters, community agencies, government and others who will help us in this quest.

Over the year, I have had the opportunity to meet with many of our staff and partners in different areas of the province. These meetings have helped me gain a better understanding of community issues and priorities. I look forward to working with all our partners to create one of the best legal aid systems in the world.

Honourable Sidney B. Linden  
Chair & Acting President & CEO



# Historical Overview

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The Ontario government introduced the *Legal Aid Services Act* in late 1998, creating an independent agency called Legal Aid Ontario (LAO). The purpose of the new corporation is to promote access to justice throughout Ontario for low-income individuals.

This new corporation is committed to identifying, assessing and recognizing the diverse legal needs of low-income individuals and disadvantaged communities. LAO provides legal aid services through building on the foundation of judicare and clinics, certificates, staff offices, duty counsel, community legal clinics, student legal aid services societies, public legal education, legal advice services, and self-help materials.

First offered in 1951 for criminal cases, legal aid today is available across Ontario to lower-income people for a variety of legal problems, including criminal matters, family disputes, immigration and refugee hearings and poverty law issues such as landlord/tenant disputes and employment insurance.

Every Ontario resident and, in certain cases, non-residents requiring legal assistance can apply. Eligibility is based on financial need and the type of case. The applicant may pay nothing or a portion of the costs of the legal aid depending on their financial

situation.

The Ontario Legal Aid Plan flourished in the 1970's and 1980's with many expansions in services. By the 1990's however, a budget crisis forced severe reductions in services. In response to the crisis, the Ontario government appointed law professor John McCamus to head a review of the Ontario Legal Aid Plan. A *Blueprint for Publicly Funded Legal Services, the Report of the Ontario Legal Aid Review*, was released in September 1997 and recommended the creation of an independent body to govern the Plan. The report also recommended experimentation with service delivery models such as the use of staff lawyers, contracting and wider use of duty counsel, with more focus on serving client needs. This report led to the introduction of legislation to create Legal Aid Ontario.

With guaranteed, stable funding for 3 years from the government, Legal Aid Ontario has been able to begin expanding services modestly, beginning in 1997 and 1998. In 1999, the new Board of LAO approved 29 new service initiatives based on consultations with various stakeholders of legal aid. These initiatives are designed to improve or expand legal aid services and access to those services. The first of these initiatives will be implemented early in the 2001 fiscal year.

## Legal Aid Ontario - Statutory Mandate

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The *Legal Aid Services Act, 1998* establishes the following mandate for LAO:

- 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.

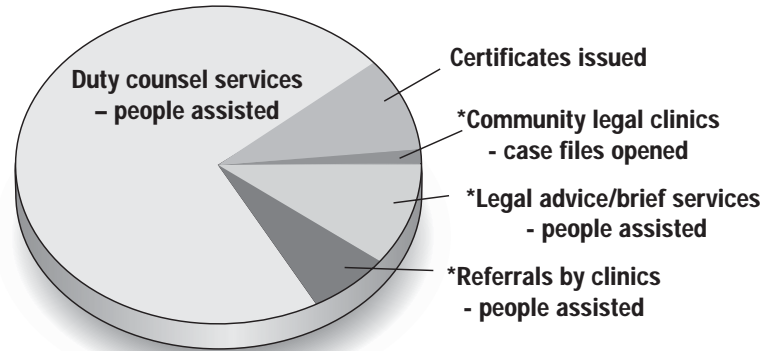
In fulfilling this mandate Legal Aid Ontario is committed to providing services which recognize the importance of diversity, access, equity, creativity and quality.



# Summary of Facts and Figures

Legal Aid Ontario assisted 908,324 people in 1999/2000.

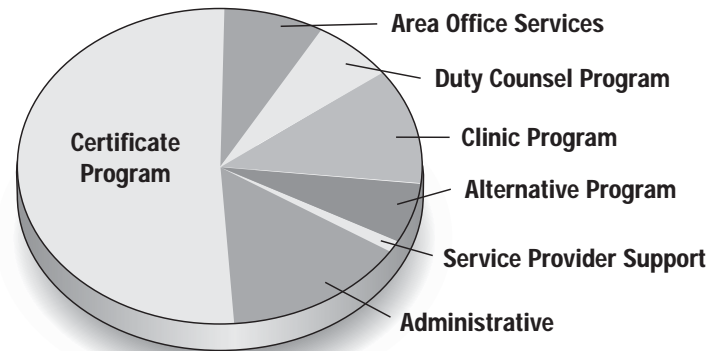
ASSISTED	
Certificates issued	107,544
Duty counsel services – people assisted	615,028
*Community legal clinics - case files opened	15,381
*Legal advice/brief services - people assisted	116,162
*Referrals by clinics- people assisted	54,209
<b>Total</b>	<b>908,324</b>



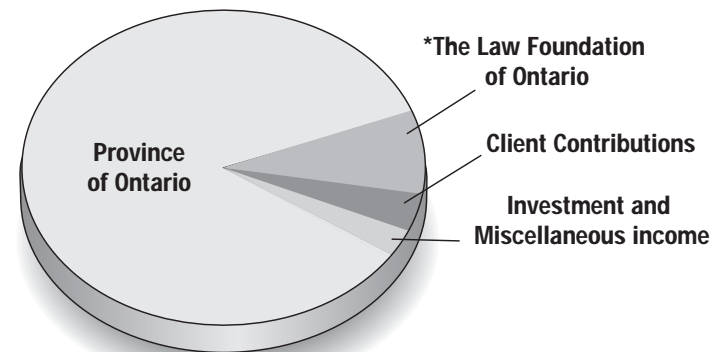
(\*The clinic statistics are based on the calendar year 1999)

The total cost of Legal Aid Ontario was \$220,552 million.

EXPENSES	\$ (000's)
Certificate Program	\$111,670
Area Office Services	\$18,010
Duty Counsel Programs	\$16,069
Clinic Program	\$38,259
Alternative Program	\$9,503
Service Provider Support	\$3,243
Administrative	\$23,798
<b>Total</b>	<b>\$220,552</b>



REVENUE	\$ (000's)
Province of Ontario	\$230,992
*The Law Foundation of Ontario	\$21,496
Client Contributions	\$10,807
Investment and Miscellaneous income	\$5,244
<b>Total</b>	<b>\$268,539</b>



\*Represents the interest that accumulates in lawyers' mixed trust accounts which provided \$21.5 million to Legal Aid in accordance with the *Legal Aid Services Act, 1998*. The Act requires that 75 per cent of the Law Foundation revenues be paid to Legal Aid Ontario.



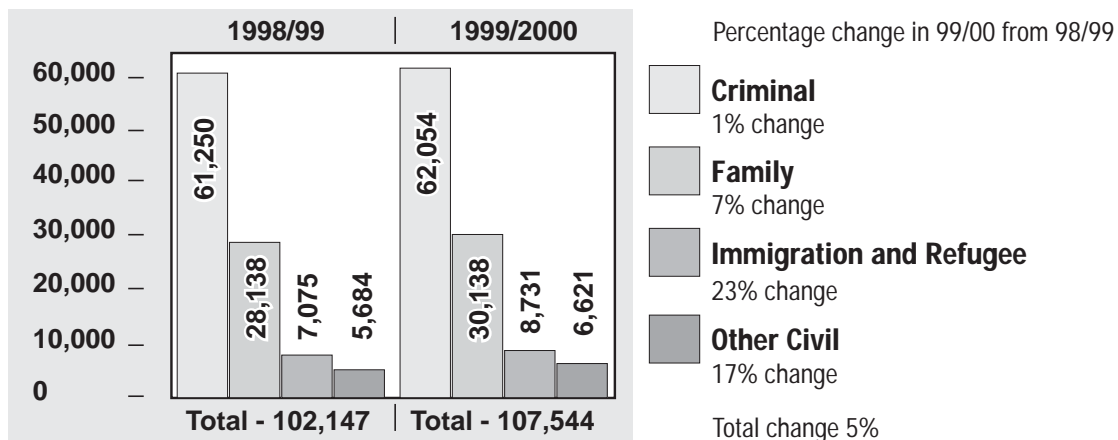


# Certificate Program

Legal aid offices in 48 communities receive and process client applications and issue legal aid certificates to financially eligible people. Legal aid certificates allow clients to receive legal services from their choice of a private lawyer or from lawyers employed by Legal Aid Ontario at family law offices and the Refugee Law Office.

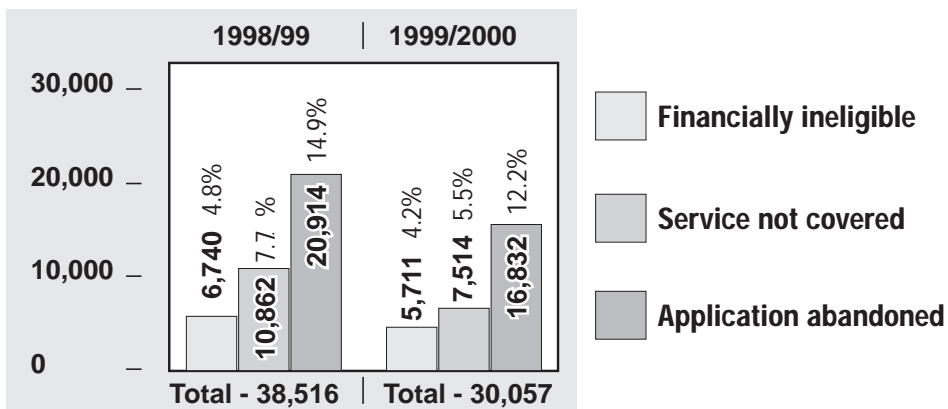
Certificates are available for a variety of legal problems, including specific criminal, family, immigration and refugee matters, and some civil law matters (for example, appeals from Workplace Safety and Insurance Board decisions and mental health law proceedings). The lawyer is then reimbursed by legal aid according to a tariff fixed by government regulation.

## Legal Aid Ontario issued 107,544 certificates in 1999/2000.



## Refusals

137,601 people completed applications for legal aid this year and 107,544 (71.8%) received a certificate. 30,057 (21.8%) did not receive assistance for legal aid because they did not meet financial eligibility or service guidelines. The majority of refusals (12.2%) occurred because the client abandoned the application.



Continued on page 7



## CERTIFICATE PROGRAM

(Continued)

### Average Case Costs (Total: under old and new tariff)

	1998/99 Amount \$	1999/00 Amount \$
Criminal	1,135	1,286
Family	1,612	1,569
Immigration and Refugee	1,727	1,725
Other Civil	1,411	1,202
<b>Average</b>	<b>1,294</b>	<b>1,379</b>

### Certificate Fees, Disbursements and Administration Fees

	Fees (\$000's)	Disbursements (\$000's)	Administration Fees (\$000's)	Total (\$000's)
Criminal	66,504	4,616	2,242	73,362
Family	34,457	2,988	983	38,428
Immigration/Refugee	9,767	1,915	313	11,995
Other Civil	3,969	721	198	4,888
<b>Total Cash Outlay</b>	<b>114,697</b>	<b>10,240</b>	<b>3,736</b>	<b>128,673</b>
Change in Accrued Liability (See Note 5 of Financial Statements)				(17,003)
Certificate Program Expense per Financial Statements				<u>111,670</u>

### Fees Paid to Lawyers

Amount \$	Number of lawyers	% of total
1-9,999	2,471	51.8 %
10,000-49,999	1,543	32.3 %
50,000-99,999	491	10.3 %
100,000 - 249,999	246	5.1 %
250,000+	23	0.5 %
<b>Total</b>	<b>4,774</b>	<b>100%</b>

Lawyers' annual fees are capped with lawyers at the basic level (less than 4 years experience doing legal aid work in an area of law) able to bill up to \$157,000 in one year. Tier 2 lawyers (with more than 4 and less than 10 years of experience) can bill up to \$177,190 and Tier 3 lawyers (with more than 10 years experience) can bill up to \$196,875.

Fees paid above are based on fees allocated, which means fees paid to the lawyer who actually worked on the case, regardless of who acknowledged the certificate.

### Lawyer Experience

Tier level	Basic	Tier 2	Tier 3
Criminal	18 %	23 %	59 %
Family	25 %	30 %	45 %
Immigration/Refugee	17 %	35 %	48 %
Other Civil	34 %	27 %	39 %
<b>All Certificates</b>	<b>21 %</b>	<b>26 %</b>	<b>53 %</b>



# Duty Counsel Program

Duty counsel lawyers are appointed and paid by Legal Aid Ontario to assist clients who are unrepresented in criminal, family and youth court. Duty counsel also provide advice and assistance on legal matters outside the court system and attend fly-in courts in remote northern areas. Clients are subject to a financial eligibility test based on income and assets in order to qualify for some duty counsel services.

In criminal cases, duty counsel advise clients about the charge(s) against them and on court procedure. Duty counsel conduct bail hearings, assist in requesting adjournments, obtain diversions or alternative measures, enter guilty pleas if appropriate, and speak to sentence.

In family cases, duty counsel are scheduled on motion or other non-trial list days to provide legal advice and in some cases representation in court. Family duty counsel provide advice, review and prepare documents, and represent clients in adjournments, motions and interim hearings in respect of custody and access, pretrials, support enforcement hearings, and settlement negotiations.

Legal Aid Ontario also provides out of court assistance through the Advice Lawyer program. The Advice Lawyer provides general legal advice and reviews legal documents. The service is available to financially eligible members of the public between three to four hours per week in over 110 locations across the province.

**The number of people assisted by duty counsel this year is 615,028.**

<b>Total Assisted</b>	<b>1998/99</b>	<b>1999/00</b>
24-hour hotline	36,980	35,437
Salaried	236,749	200,123
Private bar	350,174	379,468
<b>Total</b>	<b>623,903</b>	<b>615,028</b>

**Average Cost Per Assist**

<b>Duty Counsel Average Cost Per Assist</b>	<b>1998/99</b>	<b>1999/00</b>
24-hour hotline	\$ 13.14	\$ 14.51
Salaried	\$ 10.97	\$ 12.62
Private bar	\$ 31.04	\$ 32.25





# Community Legal Clinic Program

Community legal clinics were first established in the early 1970s to provide legal services and public legal information and community development for low-income and disadvantaged people. Clinics address the unique legal needs of low-income people who need help with the essentials of life, such as subsistence income and safe housing, and access to the most basic social services, such as education for children.

Community legal clinics are independent non-profit organizations that receive annual

funding from Legal Aid Ontario. Each clinic has its own board of directors and determines its own operational policies within the established policy framework set out by Legal Aid Ontario.

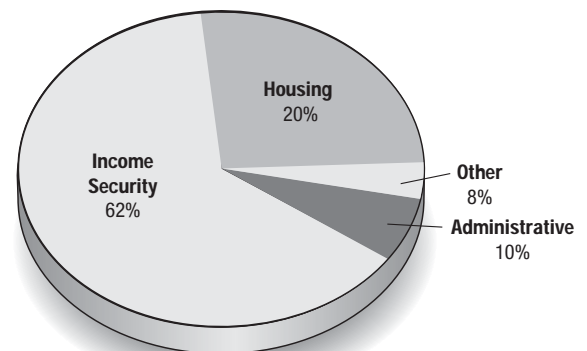
Income maintenance and housing law remain the core areas of clinic practice, making up the majority of files opened by clinics. However, clinics also provide services in other areas of the law, depending on their local community's needs. The types of cases accepted vary from clinic to clinic.

## 1999

<b>Legal advice/brief services</b>	116,162
<b>Referrals</b>	54,209
<b>Case files opened</b>	15,381
<b>Public legal education materials distributed</b>	1,290,596
<b>Law Reform files opened</b>	483
<b>Community development files opened</b>	841

(\*The clinic statistics are based on the calendar year 1999)

<b>Case Files Opened</b>	<b>15,381</b>	
Income Security	9,348	62 %
Housing	3,000	20 %
Administrative	1,797	10 %
Other	1,100	8 %





## Other Programs and Services

### Nishnawbe-Aski Legal Services

The Nishnawbe-Aski Nation is made up of 44 individual bands and has a population of approximately 26,000. The 44 communities are scattered throughout the remote north of the province, and, with a few exceptions, may only be reached by air.

The Nishnawbe-Aski Legal Services Corporation (NALSC) was formed in 1989 to aid in the delivery of legal services. The Corporation is directed by a native Board of Directors and legal services are provided by the private bar.

The Board of Directors of the NALSC, in conjunction with the LAO, establishes the policies and priorities of the corporation. Each tribal council has at least one representative on the Board.

The Corporation offers cultural training for members of the private bar who provide legal services and public legal education to the people of the Nishnawbe-Aski Nation. Native community legal workers are trained to provide advice and counsel in criminal, family and poverty law. They spend the bulk of their time in the communities and prepare cases for counsel. They interview those who are required to appear in court, marshal witnesses, prepare briefs and instruct counsel prior to court.

### Pilot Projects

Legal Aid Ontario continued testing with several pilot projects, including family law offices in Ottawa, Toronto and Thunder Bay. The pilots are designed to experiment with different ways of delivering services, to determine if a mix of service delivery methods can improve service to clients, make the service more accessible and make it more cost effective.

The Refugee Law Office continued to represent refugee claimants living in Metropolitan Toronto and the Regions of Durham, Peel and York before the Immigration and Refugee Board in Toronto and in applications for judicial review in the Federal Court. Refugee claimants served by the Office must have a legal aid certificate.

In a separate pilot, special panels of lawyers were set up to serve refugee clients from Nigeria and Mexico. Lawyers were required to demonstrate experience in handling cases from the particular country in order to serve on the panel. Clients who receive a legal aid certificate are then directed to take the certificate to a lawyer who has qualified for the panel. The aim of this project is to ensure quality and consistent levels of service.

This year, Legal Aid Ontario began testing extended duty counsel services. The first office opened in Hamilton in the fall of 1999. Extended duty counsel offices were later established in Oshawa and London.

Legal Aid Ontario continued to test unbundled services in Simcoe County. This service provides legal advice and support to enable clients to represent themselves. In Welland, family case management is designed to pre-authorize the exact number of hours needed by the lawyer for each item in a family case, based on the specific case.

In Sault Ste. Marie, Youth Court Counsel are providing an expanded duty counsel service to people charged under the *Young Offenders Act*.

### Student Legal Aid Services Societies

Each of the six Ontario universities with a Faculty of Law has a student legal aid society: University of Ottawa, Queens University, University of Toronto, University of Western Ontario, University of Windsor and York University. Each student legal aid services society is directed by the Dean of the Faculty of Law.

Under the supervision of full-time review counsel, volunteer law students represent Ontario residents in summary conviction criminal matters where imprisonment is unlikely, in small claims court, in landlord and tenant matters, in consumer and employment matters, in immigration matters and before a number of tribunals including the Ontario Human Rights Commission. In addition, the students provide community legal education.



# Board of Directors and Committees

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## LAO BOARD OF DIRECTORS

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The Hon. Sidney B. Linden, Toronto Chair <i>December 1999 - December 2003</i>	Sylvia Maracle, Toronto <i>December 1999 - December 2002</i>
Peter B. Bortolussi, Sault Ste. Marie <i>December 1999 - December 2001</i>	Lynn Michaud, Timmins <i>December 1999 - December 2001</i>
Janet Bradley, Ottawa <i>December 1999 - December 2002</i>	W.A. Derry Millar, Toronto <i>December 1999 - December 2002</i>
Pamela Divinsky, Toronto <i>December 1999 - December 2002</i>	Harvey T. Strosberg, Windsor <i>December 1999 - December 2002</i>
Thomas N. Kritsch, Thornbury <i>December 1999 - December 2001</i>	Beverly Wexler, Kenora <i>December 1999 - December 2001</i>
	Gordon Wolfe, Toronto <i>December 1999 - December 2002</i>

## BOARD COMMITTEES

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Section 7 of the *Legal Aid Services Act*, states that the LAO Board must establish advisory committees in the areas of criminal, family and clinic law. This section also gives the Board the authority to establish any other advisory committee that it considers appropriate.

The role of the committees is to ensure that stakeholders have input on and access to LAO decisions and that LAO is accountable to stakeholders.

Audit and Finance Committee  
Clinic Committee  
Executive Committee  
Information and Technology Committee  
Immigration and Refugee Committee  
Expansion Committee  
Tariff Review Committee

## GROUP APPLICATIONS AND TEST CASES COMMITTEE

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The Group Applications and Test Cases Committee is an advisory committee whose normal complement is eight volunteer members, including six lawyers, one law professor and a lay member. The role of the Committee is to review group applications for legal aid and test cases and recommend whether a legal aid certificate should be issued.

## AREA COMMITTEES

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Area committees play an important role in the administration of legal aid services in Ontario. Volunteer members contribute hundreds of hours in communities across Ontario. Area committees hear appeals from decisions of area directors who have refused or cancelled a legal aid certificate.



# Senior Management Committee

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## Legal Aid Ontario

375 University Avenue, Suite 404  
Toronto ON M5G 2G1

Telephone: 416-979-1446

Toll-Free: 1-800-668-8258

Fax: 416-979-8669

President/Chief Executive Officer

Robert L. Holden

Vice President, Appeals

Ruth Lawson

Vice President, Clinic Programs and Business Planning

Joana Kuras

Vice President, Corporate Services

Michelle Séguin

Vice President, Legal Services

George A. Biggar

## Salary Disclosure

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Pursuant to the *Public Salary Disclosure Act*, the listing below shows the names, positions, salaries paid and taxable benefits to all Legal Aid employees paid \$100,000 or more in the 1999 calendar year.

<u>NAME</u>	<u>POSITION</u>	<u>SALARY</u>	<u>TAXABLE BENEFIT</u>
George A. Biggar	Vice President, Legal Services	115,466.75	545.72
Robert L. Holden	President & CEO	130,466.67	614.40
Joana Kuras	Vice President, Clinic Program & Business Planning	121,888.23	525.20
Ruth Lawson	Vice President, Appeals	114,450.96	538.82
Keith Wilkins	Co-ordinator of Client Services	100,205.04	475.24



## Management's responsibility for financial information

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Management and the Board of Directors are responsible for the financial statements and all other information presented in the annual report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgments.

Legal Aid Ontario is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances of the reliability of financial information and that the assets were safeguarded.

The Board ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee of the Board. The Board meets monthly to oversee the financial activities of LAO. On an annual basis, the Board reviews the financial statements and the external auditors' report thereon, and recommends them to the Ministry of the Attorney General.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination.

Honourable Sidney B. Linden  
Chair & Acting President & CEO

Michelle A. Séguin  
Vice President,  
Corporate Services

August 17, 2000



# Financial Statements

FOR THE YEAR ENDED MARCH 31, 2000



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## LEGAL AID ONTARIO AIDE JURIDIQUE ONTARIO

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*A Corporation Without Share Capital*

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# Auditor's Report

Office of the  
Provincial Auditor  
of Ontario



Bureau du  
vérificateur provincial  
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2  
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2  
(416) 327-2381 Fax: (416) 327-9862

## *Auditor's Report*

To Legal Aid Ontario  
and to the Attorney General of Ontario.

We have audited the balance sheet of Legal Aid Ontario, a corporation without share capital, as at March 31, 2000 and statements of operations and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario, a corporation without share capital, as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

J.R. McCarter, CA  
Assistant Provincial Auditor (Acting)



## Balance Sheet

March 31, 2000

<b>ASSETS</b>	(000's)
<b>Current</b>	
Cash and cash equivalents (Note 3)	\$ 72,814
Accounts receivable (less allowance for doubtful accounts)	13,883
Prepaid expenses	31
	<hr/>
	86,728
<b>Contingency reserve fund</b> (Note 7)	<b>24,938</b>
<b>Capital assets</b> (Note 4)	<b>7,427</b>
	<hr/>
	<b>119,093</b>

### LIABILITIES AND EQUITY

<b>Current</b>	
Accounts payable and accrued liabilities (Note 5)	\$ 52,864
	<hr/>
<b>Equity</b>	
Accumulated surplus (Note 6)	41,291
Contingency reserve (Note 7)	24,938
	<hr/>
	66,229
	<hr/>
	\$ 119,093

On behalf of the Board:

  
 \_\_\_\_\_ Director



## Statement of Operations and Accumulated Surplus

For the year ended March 31, 2000

<b>REVENUE</b>	(000's)
Province of Ontario (Note 2)	\$ 230,992
The Law Foundation of Ontario	21,496
Client contributions	9,428
Judgements, costs and settlements	1,379
Miscellaneous income	5,244
	<hr/>
	268,539
	<hr/>
<b>EXPENSES</b>	
Core Business	
Certificate Program (Note 2)	
Criminal	62,214
Family	34,151
Immigration and refugee	10,083
Other civil	4,995
Settlement conferences	227
	<hr/>
	111,670
Area office services	18,010
	<hr/>
	129,680
Duty Counsel Program	
Duty counsel fees and disbursements	16,069
	<hr/>
Clinic Program	
Clinic law services (Note 8)	38,259
	<hr/>
Alternative Programs	
Nishnawbe-Aski allocation	1,280
OFIFC funding	76
Family law / pilot projects	2,219
Refugee law office	688
Salaried duty counsel	2,700
Student legal aid societies	2,540
	<hr/>
	9,503
	<hr/>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Statement of Operations and Accumulated Surplus *(Continued)*

For the year ended March 31, 2000

<b>EXPENSES</b>	(000's)
Service Provider Support	
Research facility	\$ 1,955
Clinic resource facility	890
Quality assurance program	398
	<u>3,243</u>
Administrative	
Provincial office	21,899
Non-refundable goods and services tax	737
Transition costs	242
Year 2000 costs	920
	<u>23,798</u>
	<u>220,552</u>
<b>Excess of revenue over expenses</b>	47,987
<b>Transferred to contingency reserve (Note 7)</b>	<u>(6,696)</u>
<b>Excess of revenue over expenses for the year and accumulated surplus, end of year</b>	<b>\$ 41,291</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.





## Statement of Cash Flows

For the year ended March 31, 2000

Cash was provided by (used in)

<b>OPERATING ACTIVITIES</b>	(000's)
Excess of revenue over expenses for the year	\$ 47,987
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities	
Amortization	4,888
Loss on sale of capital assets	146
Changes in non-cash working capital balances	
Accounts receivable	6,386
Prepaid expenses	15
Accounts payable and accrued liabilities	(20,640)
	<u>38,782</u>
<b>INVESTING ACTIVITIES</b>	
Proceeds on sale of capital assets	23
Purchase of capital assets	(5,687)
	<u>(5,664)</u>
<b>Net increase in cash and cash equivalents during year</b>	<b>33,118</b>
<b>Cash and cash equivalents, beginning of year (Note 1)</b>	<u>64,634</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 97,752</b>
<hr/>	
Represented by	
<b>Cash equivalents</b>	<b>\$ 77,081</b>
<b>Bank indebtedness</b>	<u>(4,267)</u>
	72,814
<b>Contingency reserve fund</b>	<u>24,938</u>
	<b>\$ 97,752</b>
<hr/>	

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



## Summary of Significant Accounting Policies

For the year ended March 31, 2000

<b>Basis of Accounting</b>	The financial statements have been prepared in accordance with generally accepted accounting principles.								
<b>Revenue Recognition</b>	Revenue is recorded on the basis of amounts contributed to the Corporation for the respective fiscal year ended March 31.								
<b>Expense Recognition</b>	Expenses are recognized on an accrual basis. Legal accounts include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed but not yet billed.								
<b>Capital Assets</b>	<p>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:</p> <table><tr><td>Furniture and office equipment</td><td>- 5 years</td></tr><tr><td>Computer hardware and software</td><td>- 3 years</td></tr><tr><td>Custom-designed software</td><td>- 5 years</td></tr><tr><td>Leasehold improvements</td><td>- over the term of lease</td></tr></table>	Furniture and office equipment	- 5 years	Computer hardware and software	- 3 years	Custom-designed software	- 5 years	Leasehold improvements	- over the term of lease
Furniture and office equipment	- 5 years								
Computer hardware and software	- 3 years								
Custom-designed software	- 5 years								
Leasehold improvements	- over the term of lease								
<b>Use of Estimates</b>	The preparation of financial statements in accordance with generally accepted accounting principles 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 in the future.								
<b>Cash and Cash Equivalents</b>	Cash and cash equivalents consist of cash on hand, indebtedness and balances with banks plus highly liquid investments with original maturities of three months or less.								
<b>Financial Instruments</b>	Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.								

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



## Notes to Financial Statements

For the year ended March 31, 2000

### 1. Creation of Legal Aid Ontario

On December 18, 1998, the Ontario Legislative Assembly enacted the Legal Aid Services Act, 1998 whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999.

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 eleven 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 Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

On April 1, 1999, the Corporation assumed responsibility of all the assets and liabilities for the Ontario Legal Aid Plan formerly administered by the Law Society of Upper Canada.

The net assets transferred from the Ontario Legal Aid Plan are as follows:

	(000's)
Cash	\$ 64,634
Other current assets	20,315
Capital assets	6,797
Total assets	91,746
Total accounts payable and accrued liabilities	(73,504)
Net assets transferred (Note 7)	\$ 18,242

For the year ended March 31, 2000

## 2. Funding by the Province of Ontario

Section 71 of the Legal Aid Services Act, 1998 requires the Corporation and the Province of Ontario 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 Attorney General and the Corporation.

In the 1999 - 2000 fiscal year, the Corporation received \$230 million from the Province of Ontario. The Province has indicated that this level of funding would also apply to the next two fiscal years. The first MOU between the Corporation and the Province of Ontario had not, as at June 30, 2000, been signed by the respective parties.

(a) **Funding in respect of the year was allocated as follows:**

	2000
	(000's)
Certificates (issued by the Corporation to solicitors that authorize legal services to be provided)	\$ 166,847
Administration	28,544
Independent Community Clinics	35,085
Family Violence	516
	<u>\$ 230,992</u>

(b) Included in the revenue from the Province of Ontario for the year ended March 31, 2000 is an amount of \$36.2 million. This represents an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law and the Young Offenders Act through a cost-sharing arrangement.

## 3. Cash and Cash Equivalents

	2000
	(000's)
Cash equivalents	\$ 77,081
Bank indebtedness	(4,267)
	<u>72,814</u>

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998. The short term investments held by the Corporation as at March 31, 2000 are in compliance with the statutory requirements.

The Corporation holds treasury certificates, term deposits and banker acceptances of \$77 million which will mature in 2000 and bear interest between 5.03% and 5.3% per annum.



## Notes to Financial Statements

For the year ended March 31, 2000

### 4. Capital Assets

	2000	
	Cost	Accumulated Amortization
	(000's)	
Furniture and office equipment	\$ 2,056	\$ 600
Computer hardware and software	7,446	3,627
Custom-designed software	817	186
Leasehold improvements	1,996	475
	<u>\$ 12,315</u>	<u>\$ 4,888</u>
Net book value		<u>\$ 7,427</u>

### 5. Accounts Payable and Accrued Liabilities

	2000
	(000's)
Legal accounts - billings received	\$ 7,887
- work performed but not yet billed	40,039
Rent inducements	804
Trade and other payables	3,494
Vacation pay	640
	<u>\$ 52,864</u>

During the year, management undertook to improve the estimate of accrued liability on work conducted by private solicitors but not yet billed to the Corporation. Solicitors were required to bill for all work on certificates issued before April 1, 1999 by December 31, 1999 if no interim accounts had been submitted after April 1, 1999 and if the value of the outstanding work was over \$50. The solicitors were also required to identify inactive certificates.

As a result of this exercise, the accounts payable and

accrued liabilities were reduced by approximately \$20 million along with the cancellation of approximately 55,000 outstanding certificates.

At year end, management estimates the liability for work conducted by private solicitors that has not yet been billed by these solicitors to the Corporation to be \$40.039 million. This estimate uses a methodology that incorporates average costs and time frames for similar cases over a period of 7 years.

*continued...*



For the year ended March 31, 2000

Due to the uncertainty involved in the estimation process, there will likely be a difference between the estimated and actual liability. In the opinion of management the actual liability will fall within a range of plus 20% to minus 20% (\$32 million to \$48 million). Any adjustment of the estimated liability would result in

a corresponding increase or decrease in expenses for "core business", the "excess of revenue over expenses for the year" and the "accumulated surplus".

## 6. Accumulated Surplus

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) ordered by the Minister

of Finance to pay its surplus into the Consolidated Revenue Fund. For the fiscal year ending 2000, the Board of the Corporation has retained all of its accumulated surplus.

## 7. Contingency Reserve

Under the Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998, the Corporation is required to maintain a \$20 million contingency reserve. Section 6 of the regulation also allows the reserve to be increased by interest earned. The contingency reserve is made up as follows:

	2000
	(000's)
Net Assets transferred to the Corporation April 1, 1999 (Note 1)	\$ 18,242
Transfer to contingency reserve from operations	6,696
	<hr/>
Balance March 31, 2000	\$ <b>24,938</b>

The contingency reserve fund consists of a treasury certificate which will mature in 2000 and bears interest at 5.03% per annum.



## Notes to Financial Statements

For the year ended March 31, 2000

### 8. Funding of Independent Community Clinics

This programme provides for payment of funds to clinics enabling them to provide legal or paralegal services on a basis other than fee for service.

	2000
	(000's)
Payments to and on behalf of clinics	\$ 34,433
Administrative costs	3,826
	<u>\$ 38,259</u>

### 9. Commitments

Effective April 1, 1999, the following commitments have been assumed by the Corporation (see Note 1).

	Amount
	(000's)
(a) Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2000 there is an amount of approximately \$70 million that could still be incurred on certificates over and above the billings received to date and the Corporation's estimate of work performed but not yet billed.	2001 \$ 5,246
	2002 4,961
	2003 4,361
	2004 1,795
	2005 453
	<u>\$ 16,816</u>
(b) the Corporation leases various office premises and equipment throughout the Province. The minimum annual commitments under these leases for the next five years are approximately as follows:	

### 10. Pensions

Effective April 1, 1999, the Corporation offered employment to all members of the Law Society of Upper Canada ("LSUC") Employees' Pension Plan who had been employed in the area of legal aid and who had accepted employment with the Corporation. At its meeting on April 16, 2000, the Board of the Corporation approved the establishment of a pension plan consisting of a defined contribution and a defined benefit component for the employees of the Corporation as of April 1, 1999. Concurrently, the Corporation and the LSUC entered into an agreement dated April 16, 2000 which transferred all the pension assets and liabilities for those transferred members which had accrued up to but excluding April 1, 1999 under the LSUC Employees' Pension Plan.

The Corporation makes pension contributions to the defined contribution component of the plan. The Corporation's financial obligation to the defined contribution plan is limited to making regular payments to match the amounts contributed by the employees for current service. The Corporation's annual pension expense for the year was \$739,900.

The defined benefit component of the plan is subject to actuarial valuations at intervals of not more than three years. The most recent actuarial valuation was made upon transfer of the plan as at April 1, 1999. The pension plan at that time had an excess actuarial surplus of \$564,300, pension obligation of \$1,231,000 and plan assets of \$1,795,300.

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