

LEGAL AID ONTARIO
AUDITED
FINANCIAL
STATEMENTS
2023 – 2024



LEGAL AID ONTARIO

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Legal Aid Ontario Financial Statements For the year ended March 31, 2024

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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, 2024



Abigail Dwosh
Vice President and
Chief Administrative Officer

June 27, 2024



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, 2024, 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, 2024, 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 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

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unless LAO either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained,



whether a material uncertainty exists related to events or conditions that may cast significant doubt on LAO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause LAO to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Toronto, Ontario
June 27, 2024

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

Legal Aid Ontario

Statement of Financial Position

	March 31, 2024 (\$000's)	March 31, 2023 (\$000's)
ASSETS		
Current Assets		
Cash	\$ 327,150	\$ 109,241
Short-term investments (Note 3)	30,711	-
Prepaid expenses and other assets	3,644	3,195
Client accounts receivable, net of allowance (Note 4(a))	366	1,076
Other receivables, net of allowance (Note 4(b))	43,509	69,004
	405,380	182,516
Long-term client accounts receivable, net of allowance (Note 4(a))	13,171	14,221
Restricted investments - contingency reserve fund (Note 5)	20,000	-
Capital assets (Note 6)	7,519	6,420
	446,070	203,157
TOTAL ASSETS	\$ 446,070	\$ 203,157
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 110,468	\$ 97,838
Deferred capital contributions (Note 8)	2,337	4,863
	112,805	102,701
Long-Term Liabilities		
Accrued pension liability (Note 15)	2,879	2,864
Tenant improvement allowance	3,284	-
	6,163	2,864
Net Assets		
Unrestricted net assets	301,920	76,035
Invested in capital assets (Note 9)	5,182	1,557

Statement of Financial Position (continued)

Contingency reserve fund (Note 5)	20,000	20,000
	327,102	97,592
TOTAL LIABILITIES AND NET ASSETS	\$ 446,070	\$ 203,157



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

2024
(\$000's)

2023
(\$000's)

REVENUE

Government funding (Notes 10)	\$ 403,019	\$ 331,629
The Law Foundation of Ontario	330,779	231,787
Investment income	10,050	1,008
Protocol cases (Note 11)	9,310	8,367
Client contributions and other recoveries	8,237	4,551
Miscellaneous income	323	402

TOTAL REVENUE

\$ 761,718 \$ 557,744

EXPENSES (Note 12 and 13)

Client Programs

Certificate program	\$ 251,157	\$ 219,944
Duty counsel and staff services program	117,185	98,376
Clinic program	106,577	103,886
Other programs	6,182	4,585

Total Client Programs (Note 13)

481,101 426,791

Administrative and Other Costs

51,107 42,005

TOTAL EXPENSES

532,208 468,796

Excess of revenue over expenses for the year

\$ 229,510 \$ 108,948

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, 2024

(\$000's)	Invested Capital Assets (Note 9)	Unrestricted	Contingency Reserve Fund	2024 Total	2023 Total
Net assets (deficit), beginning of year	\$ 1,557	\$ 76,035	\$ 20,000	\$ 97,592	\$ (11,365)
Net change in capital assets	1,099	(1,099)	-	-	-
Deferred capital contributions	2,526	(2,526)	-	-	
Excess of revenues over expenses for the year	-	229,510	-	229,510	108,948
Net assets, end of year	<u>\$ 5,182</u>	<u>\$ 301,920</u>	<u>\$ 20,000</u>	<u>\$ 327,102</u>	<u>\$ 97,592</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	2024 (\$000's)	2023 (\$000's)
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 229,510	\$ 108,948
Non-cash operating activity:		
Amortization of capital assets	3,285	2,680
Amortization of deferred capital contributions	(2,526)	(1,310)
Amortization of tenant improvement allowance	(176)	-
Accrued interest on investments	(2,017)	-
Loss on disposal of capital assets	-	547
Changes in non-cash balances:		
Accrued pension liability	15	92
Prepaid expenses and other assets	(449)	(617)
Client accounts receivable	710	4,084
Other receivables	25,495	(54,584)
Long-term client accounts receivable	1,050	1,725
Tenant improvement allowance	3,460	-
Accounts payable and accrued liabilities	12,630	(1,574)
	270,987	59,991
INVESTING ACTIVITIES		
Proceeds from redemption (purchase) of investments	(28,694)	51
(Purchase) of restricted funds - Contingency Reserve Fund	(20,000)	-
	(48,694)	51
CAPITAL ACTIVITY		
(Purchase) of capital assets	(4,384)	(3,330)
Net increase in cash during the year	217,909	56,712

Statement of Cash Flows (continued)

	2024	2023
For the year ended March 31	(\$000's)	(\$000's)
Cash, beginning of year	109,241	52,529
Cash, end of year	<u>\$ 327,150</u>	<u>\$ 109,241</u>

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

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

1. 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.

2. SIGNIFICANT ACCOUNT POLICIES

These financial statements have been prepared in accordance with the Public Sector Accounting Handbook “PS” of the Chartered Professional Accountants of Canada including the standards for government not-for-profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

FINANCIAL INSTRUMENTS

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

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

2. SIGNIFICANT ACCOUNT POLICIES (continued)

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

The Law Foundation of Ontario (LFO) is required under the *Law Society Act, R.S.O. 1990, c. L. 8*, to remit 75% of net income earned from lawyer and paralegal mixed trust accounts directly to LAO. The amount that the Foundation transfers to Legal Aid Ontario varies each year, mostly due to changing interest rates and mixed trust balances.

The LFO does not receive any direct transfer of goods or services from LAO in return, and there are no performance obligations associated the revenue received. LAO recognizes this revenue at its realizable value and accrues one month in arrears. PS 3400 defines this type of transaction as a "non-exchange transaction".

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

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

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

2. SIGNIFICANT ACCOUNT POLICIES (continued)

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
IT hardware	- 3 years
Leasehold improvement	- over the term of the lease
Enterprise-wide software	- 3 years

Capital assets are written down when conditions indicate that they no longer contribute to LAO's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

EMPLOYEE BENEFIT PLANS

The Legal Aid Ontario Employees' Pension Plan (the "Plan") was established by Legal Aid Ontario effective April 1, 1999 as a contributory pension plan with defined benefit ("DB") and defined contribution ("DC") provisions. The DB component was closed to new entrants on December 31, 1987 and existing members of the DB plan could either elect to continue participating in the DB component for their future service or commence participation in the DC component.

Effective September 25, 2023 (the "Transition Date"), LAO became a participating employer under the Public Service Pension Plan ("PSPP") and the Ontario Public Service Employees' Union Pension Plan ("OPSEU Plan"). Members of the Plan commenced participation in either the PSPP or the OPSEU Plan on the Transition Date and other eligible employees of LAO joined either the PSPP or the OPSEU Plan on or after the Transition Date.

The PSPP and OPSEU Plans are contributory defined benefit plans. These plans are

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

2. SIGNIFICANT ACCOUNT POLICIES (continued)

funded by contributions from participating employers and members, and by the investment earnings from the Public Service Pension Fund and OPSEU Pension Trust Fund (OPTrust). Contributions from members and employers are remitted to the Ontario Pension Board (OPB) and OPTrust.

The Province of Ontario is the sole sponsor of the PSPP and a joint sponsor of OPSEU and determines LAO's annual payments to the funds. The plan sponsors are responsible for ensuring that the pension funds are financially viable, and any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of LAO. Therefore, LAO's contributions are accounted for as if the PSPP and the OPSEU Plan were defined contribution plans with contributions being expensed in the period they come due.

In addition, LAO maintains a non-registered supplementary (executive) plan. LAO accrues its obligations under this defined benefit employee plan. The actuarial determination of the accrued benefit obligations for this pension uses the projected accrued benefit cost method prorated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing.

USE OF ESTIMATES

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

TENANT IMPROVEMENT ALLOWANCE

On May 31, 2022 LAO amended its lease agreement for the Provincial Head Office located at 20 Dundas Street West, the Atrium. These amendments include a Tenant Improvement Allowance (TIA) paid by the landlord.

Amounts paid by the landlord are recognized as a tenant improvement allowance and amortized over the term of the related lease.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

3. Short-term investments

	2024 (\$000's)	2023 (\$000's)
Guaranteed investment certificates	\$ 28,694	\$ -
Accrued interest	2,017	-
	\$ 30,711	\$ -

The guaranteed investment certificates earn interest at a rate of 5.80% and mature between July 2024 and August 2024.

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, 2024 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 days
Client accounts receivable	\$ 40,263	\$ 139	\$ 131	\$ 151	\$ 39,842
Less: impairment allowance	\$ (26,726)	(81)	(77)	(93)	(26,475)
	\$ 13,537	\$ 58	\$ 54	\$ 58	\$ 13,367

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

4. Accounts receivable (continued)

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

	2024 (\$000's)	2023 (\$000's)
Represented by:		
Current (non-lien) client accounts receivable	336	1,076
Long-term (lien) client accounts receivable	13,171	14,221
	\$ 13,537	\$ 15,297

(b) Other receivables, net of allowance

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, 2024 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 days
Federal Immigration and Refugee funding	\$ 7,181	\$ 6,060	\$ -	\$ -	\$ 1,121
MAG protocol cases	2,319	2,233	-	-	86
DOJ protocol cases	255	221	-	-	34
HST receivable	6,336	3,330	3,036	-	-
Law Foundation of Ontario	26,346	26,346	-	-	-

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

4. Accounts receivable (continued)

March 31, 2024 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 days
Other receivables	1,625	1,142	-	-	483
Other receivables	\$ 44,062	\$ 39,302	\$ 3,036	\$ -	\$ 1,724
Allowance for doubtful accounts	(553)				
Total other receivables	\$ 43,509				

March 31, 2023 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 days
Federal Immigration and Refugee 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	\$ 69,004	\$ 64,447	\$ 2,303	\$ 30	\$ 2,224

5. 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 allows 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 million. The balance of Contingency Reserve Fund at March 31, 2024 is \$20 million (2023 - \$20 million).

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

5. Contingency Reserve Fund (continued)

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 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.

6. Capital Assets

	2024 (\$000's)	Office furniture & equipment	IT Hardware	Leasehold improvement	Enterprise wide software	Total
Cost						
Balance, open	\$	144	\$ 2,880	\$ 918	\$ 22,874	\$ 26,879
Additions		701	454	3,114	115	4,384
Disposals		(109)	(1,229)	(186)	-	(1,524)
Balance, close		736	2,105	3,909	22,989	29,739
Accumulated Amortization						
Balance, open		112	1,549	800	17,998	20,459
Amortization		56	817	215	2,197	3,285
Disposals		(109)	(1,229)	(186)	-	(1,524)
Balance, close		59	1,137	829	20,195	22,220
Net book value	\$	677	\$ 968	\$ 3,080	\$ 2,794	\$ 7,519

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

6. Capital Assets (continued)

2023 (\$000's)					
Cost					
Balance, open	\$	151	\$	2,554	\$ 2,292 \$ 20,380 \$ 25,377
Additions		10		826	- 2,494 3,330
Disposals		(17)		(500)	(1,311) - (1,828)
Balance, close		144		2,880	981 22,874 26,879
Accumulated Amortization					
Balance, open		92		1,274	1,397 16,298 19,061
Amortization		30		775	174 1,700 2,679
Disposals		(10)		(500)	(771) - (1,281)
Balance, close		112		1,549	800 17,998 20,459
Net book value	\$	32	\$	1,331	\$ 181 \$ 4,876 \$ 6,420

7. Accounts Payable and Accrued Liabilities

	2024 (\$000's)	2023 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 21,017	\$ 15,713
- estimate of work performed but not yet billed	71,778	68,081
Rent agreements	-	1,179
Trade and other payables	11,912	7,376
Vacation pay	5,761	5,489
	\$ 110,468	\$ 97,838

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

8. Deferred Capital Contributions

The change in the deferred contributions balance is as follows:

	2024 (\$000's)	2023 (\$000's)
Balance, beginning of year	\$ 4,863	\$ 6,173
Less: Amount recognized as revenue in the year	(2,526)	(1,310)
	<u>\$ 2,337</u>	<u>\$ 4,863</u>

No capital contributions were made in 2024 or 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. Changes in net assets invested in capital assets during the year consist of the following:

	2024 (\$000's)	2023 (\$000's)
Balance, beginning of year	\$ 1,557	\$ 144
Purchase of capital assets	4,384	3,330
Loss on disposal of capital assets	-	(547)
Deferred capital contributions recognized in year	2,526	1,310
Amortization	<u>(3,285)</u>	<u>(2,680)</u>
Balance, end of year	<u>\$ 5,182</u>	<u>\$ 1,557</u>

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

10. 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.

Total contributions received from MAG and the Federal Department of Justice are as shown below:

	2024 (\$000's)	2023 (\$000's)
Provincial funding	\$ 270,590	\$ 226,215
Federal criminal funding	70,708	61,190
Federal Immigration and Refugee funding	61,721	44,224
Total Government Funding	\$ 403,019	\$ 331,629

LAO is economically dependent on government funding and the Law Foundation of Ontario (“LFO”): the proportion of LAO’s revenue from these funds represented 53% (2023 - 57%) and 43% (2023 - 40%) respectively.

11. Protocol Cases

	2024 (\$000's)	2023 (\$000's)
Provincial Protocol Revenue	\$ 8,496	\$ 8,015
Federal Protocol Revenue	814	352
Total	\$ 9,310	\$ 8,367

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

12. Expenses by Object

The table below provides totals for each expense category:

	2024 (\$000's)	2023 (\$000's)
Salaries and wages	\$ 120,594	\$ 100,357
Employee benefits	31,134	26,238
Transportation and communication	2,007	1,812
Services	256,564	223,857
Supplies and equipment	17,253	17,186
Amortization	3,285	2,680
Transfer payments - External (Clinics)	101,371	96,119
Loss on disposal of assets	-	547
	<u>\$ 532,208</u>	<u>\$ 468,796</u>

13. Expenses

The tables below provides a breakdown of the various expense categories:

	2024 (\$000's)	2023 (\$000's)
Certificate Program		
Criminal - Big Cases	\$ 23,322	\$ 23,552
Criminal - Other	82,018	73,075
Family	52,018	56,897
Immigration and refugee	47,102	25,157
Other civil	10,329	9,810
Sub-total	<u>214,789</u>	<u>188,491</u>

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

13. Expenses (continued)

	2024 (\$000's)	2023 (\$000's)
Protocol Cases	8,956	8,060
Client service centre	16,279	13,251
Program Support - Certificates	7,525	6,695
Bad Debts	3,608	3,447
Total Certificate Program	\$ 251,157	\$ 219,944
Duty Counsel and Staff Services Program		
Duty Counsel - Criminal	\$ 55,564	\$ 38,506
Duty Counsel - Civil	20,981	24,521
Staff Legal Services	24,228	19,878
Program Support - Regional Services	2,767	2,256
District Offices	13,645	13,215
Total Duty Counsel and Staff Services Program	\$ 117,185	\$ 98,376
Clinic Program		
Transfer to Clinics	\$ 93,231	\$ 89,972
Transferred to Student Legal Aid Services	5,922	5,491
Program Support - Clinics	7,424	8,423
Total Clinic Program	\$ 106,577	\$ 103,886

Clinic Program

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.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2024

13. Expenses (continued)

	2024 (\$000's)	2023 (\$000's)
Other Programs		
Aboriginal Justice Strategy - Gladue	\$ 2,679	\$ 1,602
Nishnawbe-Aski Legal Services Corporation	3,503	2,983
Total Other Programs	6,182	4,585
TOTAL CLIENT PROGRAMS	\$ 481,1011	\$ 426,791
Administrative and Other Costs		
Head office	\$ 47,822	\$ 38,778
Amortization	3,285	2,680
Loss on disposal of capital assets	-	547
Sub-total	\$ 51,107	\$ 42,005
TOTAL EXPENSES	\$ 532,208	\$ 468,796

14. 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)
2025	\$ 2,196	\$ 488	\$ 29	\$ 2,713
2026	1,768	194	26	1,988
2027	1,701	182	26	1,909
2028	1,158	176	18	1,352
2029	152	158	-	310

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Notes to Financial Statements

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14. Commitments and Contingencies (continued)

	Base rent (\$000's)	Operating costs (\$000's)	Equipment (\$000's)	Total (\$000's)
Thereafter	656	657	-	1,313
	\$ 7,631	\$ 1,855	\$ 99	\$ 9,585

- 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 (2023 - \$0.8 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.

15. Pensions

Effective September 25, 2023, LAO became a participating employer in the PSPP and OPSEU plan. Employees who were active members of the Plan have commenced participation in either the PSPP or the OPSEU Plan effective on September 25, 2023.

As a result the Plan ceased member contributions and froze credited service as of September 24, 2023. This curtailment did not require additional contributions to affect the transition of the Plan to PSPP and the OPSEU Plan. LAO received consent from the Financial Services Regulatory Authority of Ontario to wind up the Plan and the net assets were distributed through a combination of transfers and annuity purchases. Contributions to the PSPP and OPSEU Plan made during the year by LAO amounted to \$9.6 million. Pension expense is included in employee benefits (Note 12).

As of September 24, 2023, the LAO's Pension Plan wind-up date. LAO had a Defined Benefit Pension Plan with assets of \$4.1 million and liabilities of \$3.4 million. This leaves an excess or surplus upon wind-up of \$0.7 million. This excess will be distributed to the plan members less any wind-up fees.

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

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Notes to Financial Statements

March 31, 2024

15. Pensions (continued)

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, 2024.

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

	2024	2023
Discount rate	4.15%	3.43%
Inflation	3.73%	3.30%

LAO's pension expense for the year for this plan was \$0.18 million (2023 - \$0.18 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2024 was \$2.88 million (2023 - \$2.86 million). During the year, LAO made \$0.12 million (2023 - \$0.12 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2024	2023
Accrued Pension Liability		
Supplementary Executive Benefits Plan	\$ 2,879	\$ 2,864

16. Financial Instruments Risks

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

Interest Rate Risk

LAO is exposed to interest rate risk with respect to its investments held at variable interest rates.

Investments of \$48.7 million (2023 - nil) have interest rates ranging from 4.95% to 5.80% with multiple maturity dates between July 20, 2024 and May 20, 2025. These interest rates vary with the Canadian prime rate.

March 31, 2024

16. Financial Instruments Risks (continued)

Credit Risk

LAO's maximum exposure to credit risk at the financial statement date is the carrying value of 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.

Short-term obligations include accounts payable and accrued liabilities and are expected to be repaid within the next fiscal year.

These risks have not changed from the prior year.

17. Comparative Figures

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

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