2008 Annual Report

Legal Aid Ontario strives to be a world leader in supporting and assuring excellence in high-quality legal aid services to clients and communities.

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

contents

letter
to the minister

July 2008

The Honourable Chris Bentley
Attorney General of Ontario
720 Bay Street
Toronto, ON M5G 2K1

Dear Minister,

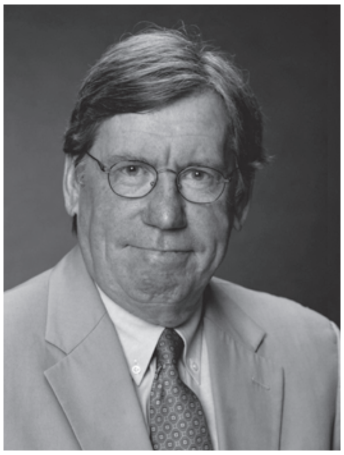
Please accept, in accordance with Section 72 of the *Legal Aid Services Act*, 1998, the Annual Report for Legal Aid Ontario for the year ended March 31, 2008.

On behalf of the people of Ontario, we thank you, your ministry and the Government of Ontario for your ongoing support of Legal Aid Ontario and its mission to provide equitable access to justice for low-income Ontarians.

Yours sincerely,

John D. McCamus, Chair
Legal Aid Ontario

message from the chair



At Legal Aid Ontario, it is our mission to confirm and strengthen our organization's role as a legitimate and active partner in the administration of a fair justice system in Ontario. Over the past 12 months, I believe we have made meaningful progress in attaining this objective.

During that time, I have had the opportunity to visit and observe first-hand various legal aid service providers across the province. Their professionalism and devotion to the task at hand is inspiring. I extend well-earned credit, and thanks, to the hundreds of LAO staff members, certificate and clinic lawyers, students and volunteers across the province who ceaselessly provide the time and expertise required to ensure that low-income Ontarians receive access to the vital legal services they need.

Although there have been well documented challenges, I sincerely believe that the citizens of Ontario can be proud of the way their tax dollars have been put to use to help ensure that low-income Ontarians who find themselves before the justice system can be assured of receiving access to high quality legal advice and representation.

Working in partnership with the Ministry, LAO is also expanding access to legal aid services in courthouses across the province. We are developing a plan to improve legal aid services to Aboriginal people in Ontario, while increasing funding for poverty law services. We are also saving Ontario taxpayers $900,000 a year in leasing costs by co-locating our Provincial Office, Toronto Area Office, Refugee Law Office and Toronto Family Law Office in downtown Toronto in July, 2008.

In these and other endeavours, the LAO Board and staff have worked tirelessly to ensure the organization lives up to its mandate to provide access to justice throughout Ontario for low-income individuals in a cost-effective and efficient manner, while refusing to lose sight of its responsibilities to taxpayers by being open, transparent and accountable. For that, I offer sincere thanks.

John D. McCamus, Chair

Legal Aid Ontario
Aide juridique Ontario

message from the president & ceo

In 2007, Legal Aid Ontario announced a strategy for our Value Agenda – an organizational commitment to achieve a 1% increase in productivity or savings each year for the next five years. Central to the Value Agenda are five key strategic management principles (IMPAC) that are being implemented at every level of the organization.

With a view to providing a focal point from which to gauge the performance of the organization, I believe the five key IMPAC principles bear repeating:

Innovation: LAO will establish and embrace a corporate culture that stimulates the flow of ideas throughout the organization and which rewards new approaches to solving problems.

Measurement: LAO will create and implement a new set of modern performance measurement tools that will help identify successes and provide the means to make more informed decisions.

Prioritization: LAO will establish processes and criteria to enable the organization to more effectively prioritize its programs and allocate resources accordingly.

Accountability: LAO will ensure that adequate management and financial accountability systems are in place throughout the organization.

Co-ordination: LAO will improve the co-ordination of the services it offers among all of its programming and administrative functions.

In the first year of our Value Agenda and new management strategy, LAO has succeeded in achieving direct savings of $1.8 million and service improvements of $4.1 million for a total of $5.9 million, a significant step towards the overall five-year goal. This has been accomplished by significant strides in implementing a range of key programs, policies and procedures that adhere to the strategic principles.

These developments include:

- Improving the coordination of services for clients by reorganizing LAO's core business on a regional basis, completing area-by-area needs analyses;
- Developing improved relationships with the Ministry of the Attorney General through regular and meaningful consultation and meetings and by clarifying roles and responsibilities;
- Clarifying accountabilities for all program areas;
- Implementing a process for prioritizing existing programs;
- Creating a Strategic Research function to provide independent capacity to anticipate and analyse longer-term legal aid, access to justice issues;
- Establishing an Internal Audit and Program Evaluation function to focus activities in areas of highest risk and provide audit findings to support management's activities;
- Building a Performance Measurement Framework to demonstrate how the organization is carrying out its mission and achieving its goals from a balanced perspective;
- Working in cooperation with the Law Foundation and the Ministry of the Attorney General, to develop a Law Foundation revenues forecasting model to inform three-to-five year financial and program planning cycles.

In this Annual Report to the Government and to the people of Ontario, it is clear that defined measures are being enacted to make LAO a more responsive, effective and accountable partner in the justice system in Ontario. Finally, it is important to recognize employees, clinic staff, certificate lawyers, students and volunteers who are the backbone of legal aid in Ontario and whose commitment is helping to make the system work better.

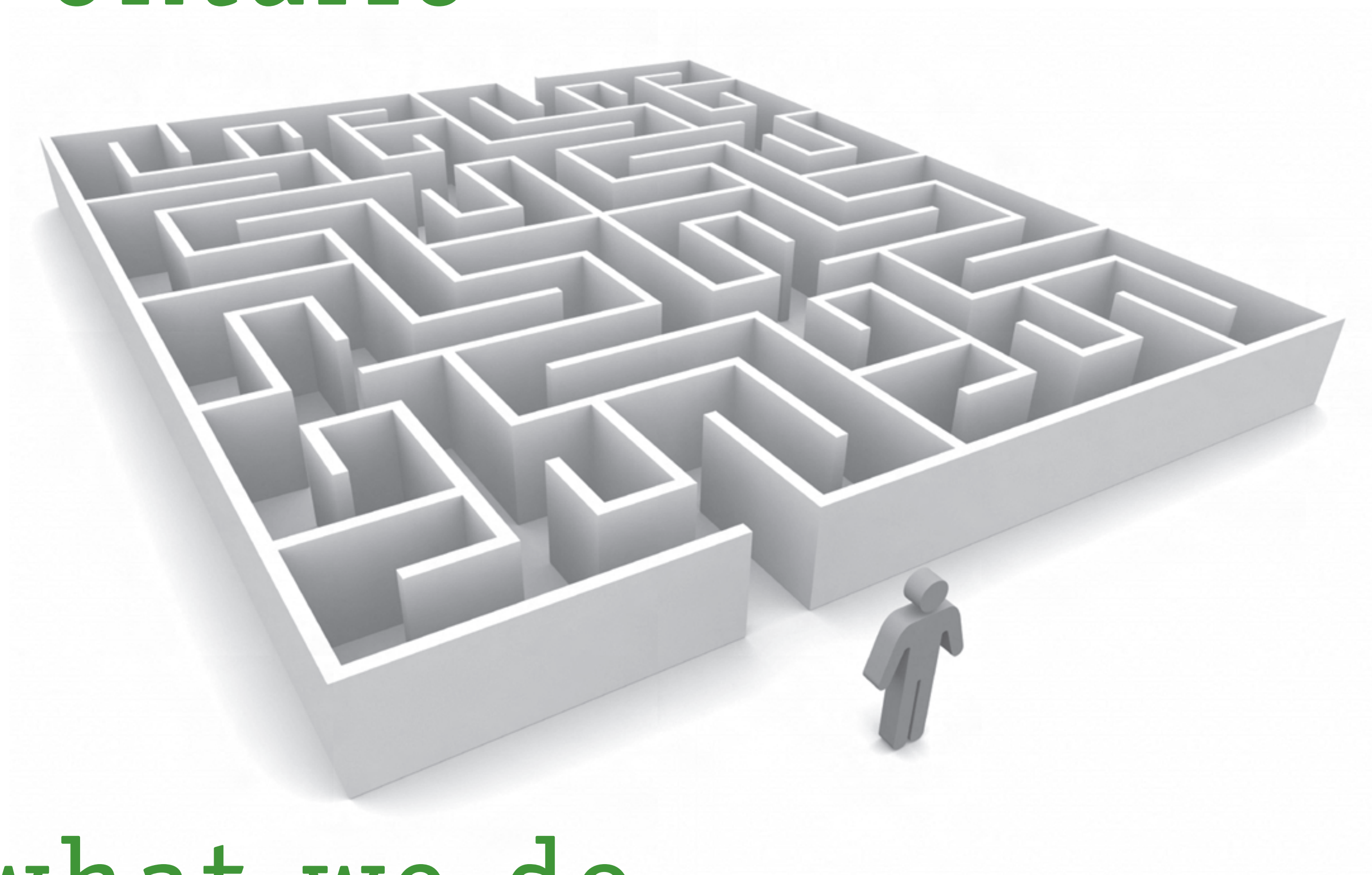
Robert W. Ward
President and CEO

board of directors

LAO Board Members 2007-2008

Left to right:: Sujit Choudhry, Jennifer Gullen, Raj Anand, Aly Alibhai, Paul Dray, Shelley Laskin, Derry Millar, John McCamus (Chair), Robert Ward (Ex-officio member)

about legal aid ontario



what we do

The second largest justice agency in the province, Legal Aid Ontario operates 51 offices in 48 communities across the province and funds 80 community legal clinics throughout Ontario, including 17 specialty clinics that provide assistance to clients in such areas of law as worker's compensation, housing, income security, and environmental protection. LAO services are carefully targeted to meet diverse client needs and make the most efficient use of our resources.

LAO also runs a certificate program that provides the means for low-income people to retain a private lawyer to represent them in proceedings before criminal or family courts and administrative tribunals, including the Immigration and Refugee Board. The certificate is the private lawyer's guarantee of payment from LAO, subject to the rates and limitations set out in the legal aid tariff.

We also provide duty counsel services—performed by staff and private-sector lawyers—for people who arrive in criminal, family or youth courts, or the Landlord and Tenant Board without a lawyer.

committees and volunteers 2007/2008

advisory committees

In accordance with the *Legal Aid Services Act*, LAO is required to establish and maintain a range of advisory committees drawn from community representatives and LAO board members to provide advice on specific areas of the law, including criminal, family and clinic law. In addition to these required committees, LAO has formed others covering areas of law such as immigration and refugee, prison, mental health, Aboriginal justice and French language services. The role of these committees is to create an added layer of accountability for LAO by ensuring that the individuals and organizations who work most closely with LAO in the delivery of legal services have an opportunity to provide early input on and access to the organization's decisions.

area committees

Approximately 700 people, including lawyers and community representatives, volunteer hundreds of hours of their time on these committees across the province. Area committees hear appeals from decisions of area directors who have refused or cancelled a legal aid certificate and decide whether to issue certificates in appeal cases.

group applications and test case committee

This is an advisory committee responsible for reviewing group applications for legal aid, applications for representation at coroners' inquests and test cases involving the *Charter of Rights and Freedoms*. The committee recommends whether or not a legal aid certificate should be issued. The committee consists primarily of lawyers and also at least one law professor.

LAO Annual Report 2008.indd 9 8/16/08 3:49:28 PM

value agenda: strategy

The provincial government's commitment in 2007 to invest $51 million in legal aid over three years represents an increase to base funding of $19 million by 2010. This increased funding has already begun to result in better service for low-income Ontarians. These achievements have been realized through the implementation of LAO's Value Agenda and the IMPAC management strategy, which seeks to maximize efficiency and effectiveness through Innovation, Measurement, Prioritization, Accountability and Coordination.

LAO is committed to generating efficiencies of 1% per year to match the $19 million increase to LAO's base funding. In other words, by 2012, our internally-generated improvements will create an additional $19 million of legal aid value, which will result in improved services for clients.

LAO will consider everything that is reasonable to create this added value, including the application of new technology, the management of LAO-funded programs, simplifying administrative processes such as purchasing, eliminating any overlap and duplication, and making choices on the basis of what has the most impact on our clients.

value agenda: savings

The following charts demonstrate the Value Agenda initiatives to date in more detail and the expected impact by year. Most of the initiatives relate to corporate wide projects in addition to others that affect specific areas of the organization.

Value Agenda initiatives are classified as either "Direct Savings" or *"Service Improvements". Direct Savings relate to cash savings while Service Improvements are productivity gains that result in more services for clients. LAO will continue to look for new opportunities and initiatives to support the Value Agenda.

** Service Improvements are tracked through productivity measures.*

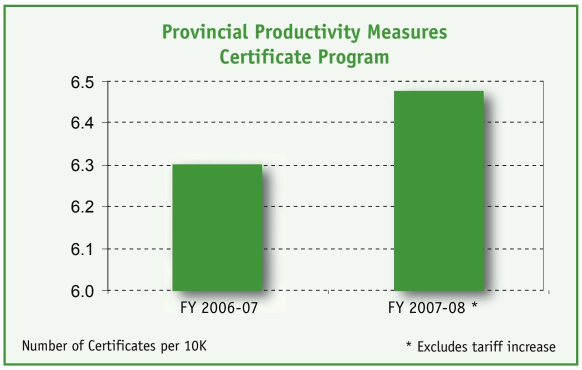
INITIATIVE	DIRECT SAVINGS				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Eliminate ODSP Overflow to Certificate Program	$ -	$ 150,000	$ 150,000	$ 150,000	$ 150,000
Simplified On-line Application Portal (SOAP)	-	194,184	776,736	776,736	776,736
Paperless project	-	-	197,227	197,227	197,227
Provincial Office Relocation	-	350,000	900,000	900,000	900,000
Content Management System and Source Redesign	-	8,000	8,000	8,000	8,000
Office co-location or relocation	-	100,000	100,000	100,000	1,077,100
Review of Retained Area Directors role	-	-	-	-	523,000
Reduce bad debt expense on Client Contributions	-	250,000	250,000	500,000	750,000
Vacancy Management Savings	1,488,087	-	-	-	-
Various expense reduction initiatives	363,136	1,502,735	1,550,221	1,550,221	1,775,221
Total Corporate Wide Initiatives	**$ 1,851,223**	**$ 2,554,919**	**$ 3,932,184**	**$ 4,182,184**	**$ 6,157,284**

INITIATIVE	SERVICE IMPROVEMENTS				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Eliminate ODSP Overflow to Certificate Program	$ -	$ 200,000	$ 200,000	$ 200,000	$ 1,900,000
Telephone Advice Services	-	97,975	97,975	117,500	711,550
Increase coordination of clinic services	-	-	-	-	1,069,785
Content Management System and Source Redesign	-	92,000	138,000	138,000	138,000
Financial Eligibility Test revision and process changes	-	-	-	-	2,500,000
Productivity Gains-Certificate Program	3,965,326	-	-	-	-
Productivity Gains-Duty Counsel Program	163,175	-	-	-	-
Various expense reduction initiatives	-	390,000	573,333	573,333	3,773,333
Total Corporate Service Improvement Initiatives	**$ 4,128,501**	**$ 779,975**	**$ 1,009,308**	**$ 1,028,833**	**$10,092,668**

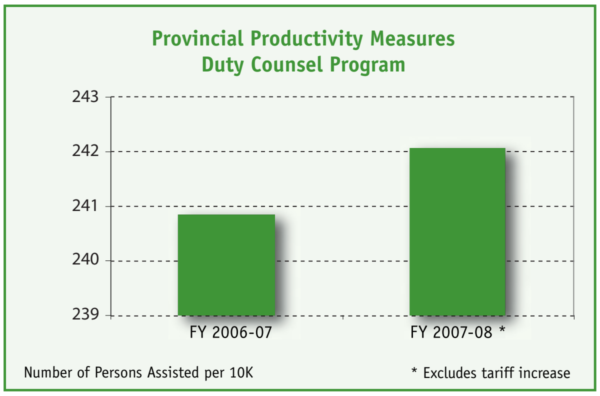
INITIATIVE	VALUE AGENDA TOTAL				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Eliminate ODSP Overflow to Certificate Program	$ -	$ 350,000	$ 350,000	$ 350,000	2,050,000
Telephone Advice Services	-	97,975	97,975	117,500	711,550
Simplified On line Application Portal (SOAP)	-	194,184	776,736	776,736	776,736
Increase coordination of clinic services	-	-	-	-	1,069,785
Paperless project	-	-	197,227	197,227	197,227
Provincial Office Relocation	-	350,000	900,000	900,000	900,000
Content Management System and Source Redesign	-	100,000	146,000	146,000	146,000
Maximize use of space and staff through office co-location or relocation	-	100,000	100,000	100,000	1,077,100
Financial Eligibility Test revision and process changes	-	-	-	-	2,500,000
Review of Retained Area Directors role	-	-	-	-	523,000
Reduce bad debt expense on Client Contributions	-	250,000	250,000	500,000	750,000
Productivity Gains-Certificate Program	3,965,326	-	-	-	-
Productivity Gains-Duty Counsel Program	163,175	-	-	-	-
Vacancy Management Savings	1,488,087	-	-	-	-
Various expense reduction initiatives	363,136	1,892,735	2,123,554	2,123,554	5,548,554
Total Corporate Wide Initiatives	**$ 5,979,724**	**$ 3,334,894**	**$ 4,941,492**	**$ 5,211,017**	**$ 16,249,952**

Productivity Measures provide a mechanism for generating comparative efficiency data to track service improvements. The following graphs highlight productivity measures for the certificate and duty counsel programs. The measurement is accomplished through the use of an index, which is the number of service or activity units (certificates, assists, etc.) per $10,000 of cost.

The higher the productivity indicator, the higher the level of efficiency. If the index has increased on a comparative basis it means that overall efficiency is increasing. Note that the figures for 2007-08 have been adjusted to exclude the effect of the tariff increase implemented in that year.



The number of certificates per $10K increased from 6.3 to approximately 6.5 in 2007-08; a 2.8% increase in productivity. The value of this increased productivity in the Certificate Program amounted to $3,965,326 for the year.



The measure of Duty Counsel assists increased between 2006-07 and 2007-08 from 241 to 242. This represents an improvement of 0.5% having a value of $163,175.

Overall, LAO is exceeding its organizational goal of a 1% improvement in productivity.

Legal Aid Ontario
Aide juridique Ontario

value agenda: IMPAC

The following areas highlight some of the important achievements consistent with Legal Aid Ontario's Management Strategy:

big case management and protocol cases

LAO has been working to bring about significant improvements to the Big Case Management (BCM) program and protocol cases, the latter being instances when courts order the provincial government to fund the defence of individuals who, for various reasons, are not receiving legal aid. Both of these areas merit even more focused management oversight and clearer accountabilities commensurate with their importance to the justice system and cost to Ontario taxpayers. Accordingly, a senior LAO manager has been named to provide recommendations for changes to the BCM program and the management of protocol cases that will both improve service to clients and help ensure taxpayers' dollars are spent as wisely as possible.

LAO-MAG working group

LAO prides itself on its good relationship with the Ministry of the Attorney General (MAG), which continues to grow stronger through such co-operative efforts as the ongoing high-level joint working group, which helped create the Memorandum of Understanding (MOU) on Protocol Cases and is currently exploring other issues of mutual interest. LAO regularly updates MAG on corporate directions and issues as they arise and meets with Ministry officials on a regular basis to discuss everything from Big Case Management to Legal Aid Ontario's participation in various studies and reviews.

intra-agency relationships— LAO and Community Legal Clinics

LAO has been working to modernize and clarify its relationship and funding role with respect to community legal aid clinics and has begun discussions with clinics and the Association of Community Legal Clinics of Ontario. A discussion paper is being developed. The paper will be shared with community legal clinics and will help form the basis for discussions between LAO and Clinics in 2008.

joint OCL/OACAS/LAO child protection training

For the second time, LAO is partnering with the Office of the Children's Lawyer and the Ontario Association of Children's Aid Societies to offer training in best practices for the carriage of child protection matters. LAO employees attending the training will include Supervisory Duty Counsel, staff Duty Counsel and counsel from staff offices. The training will be offered throughout April, May and June 2008 in Hamilton, Thunder Bay, Brampton, Peterborough, Sudbury, Ottawa, Kingston, Toronto, Barrie, Oshawa, Windsor and London.

aboriginal justice strategy

LAO is continuing to work toward its goal of developing a three-to-five year plan to improve legal aid services to Aboriginal people in Ontario. LAO's initial process has been to rely on local client service agencies and organizations (largely Aboriginal) to inform our understanding of local priorities vis-à-vis legal aid services. The three-to-five year strategic plan and action plan will be presented to the Board in 2008/09.

Simplified Online Application Portal (SOAP)

The Simplified Online Application Portal (SOAP) pilot project is designed for easier access to legal aid for clearly eligible clients and to make the most efficient and effective use of LAO resources. The new process provides a simple client application form and financial eligibility test that decreases the time required to complete and provide a client with a certificate decision. The pilot project is working well in the Toronto area office and downtown court offices, with no major technical problems detected to date.

According to recent statistics, testing of SOAP continues to show a clear benefit in spending less time to process these clearly eligible clients. From January 28 to March 7, 2008, a total of 464 client certificates were processed using SOAP and 139 hours of employee time were saved, or a 62 per cent reduction in the amount of time spent on these applications. The testing will continue with training and demonstrations before SOAP is released to other area offices.

move to the Atrium on Bay

In line with LAO`s commitment to achieving cost efficiencies for Ontario taxpayers through its Value Agenda over the next five years, LAO will be relocating its Provincial Office, Toronto Area Office, Refugee Law Office and Toronto Family Law Office in downtown Toronto in July 2008.

By moving from its current location to the nearby Atrium on Bay office complex in downtown Toronto, LAO will save Ontario taxpayers $900,000 per year for the leasing cost of the space. These savings will be achieved by reducing the overall square footage of the LAO offices from 85,000 square feet to 70,000 square feet, as well as by reducing the annual lease rate.

paperless records project

The Records Department Scanning (RDS) Project was initiated as part of the move to Atrium on Bay.

The objective of the Project is to significantly reduce the physical size of the LAO Records Department by scanning all records and storing them in electronic format, thereby eliminating the space requirement at LAO`s new location. The two primary contributors to records currently stored in the Records Department are Lawyers Services and Payments (LSP) and Client Account Services (CAS).

This initiative is the first step in LAO's long-term goal of becoming a paperless environment. Longer term, the intent is to implement a corporate-wide electronic record keeping plan that benefits the organization and is in keeping with LAO`s Value Agenda.

performance measurement program

LAO has developed a plan to establish Balanced Scorecard Performance Measures across the organization over the next three to four years. Performance measurement is a feature of high performing organizations worldwide, in both the public and private sectors, and is a key component of LAO's IMPAC strategy.

LAO's Quality Service Office (QSO) is leading the development of a broad outcome measurement framework to help the organization demonstrate how LAO is meeting its goals, both with legal services programs and with key corporate activities.

Senior LAO managers and other staff working on the performance measurement project have received training that was recorded and distributed province-wide in DVD format to help develop a common understanding about the principles of performance measurement, and to foster acceptance of the program across the organization.

report on client services

legal aid certificates

LAO's certificate program engages the services of dedicated private lawyers who work on behalf of low-income individuals, and are paid by LAO based on certificate tariff rates. Legal aid certificates are issued by local area offices across the province to financially eligible clients who need specific legal services in the areas of family law, refugee law, criminal law, child welfare, and certain kinds of civil law such as mental health.

When a client receives a legal aid certificate, he or she can take it to one of more than 4,000 private practice lawyers in Ontario who participate in the legal aid certificate program. When a lawyer accepts the legal aid certificate, it is their guarantee that they will be paid for any authorized legal services they provide to the client.

Number of Legal Aid Certificates Issued by Category

Aid Category	2004-05	2005-06	2006-07	2007-08
Criminal	61,666	65,510	65,784	64,335
Family	27,091	28,704	26,450	25,599
Refugee/Immigration	11,396	10,992	11,060	11,401
Other Civil	5,509	5,812	5,807	5,964
Total	**105,662**	**111,018**	**109,101**	**107,299**

Average Completed Case Cost

Aid Category	2004-05	2005-06	2006-07	2007-08
Criminal	1,675	$ 1,273	$ 1,269	$ 1,311
Family	2,004	1,955	2,056	2,197
Refugee/Immigration	1,831	1,781	1,798	1,828
Other Civil	1,101	1,072	1,828	1,140
Total	**$ 1,732**	**$ 1,452**	**$ 1,485**	**$ 1,529**

Number of Applications and Ineligible Clients

Fiscal Year	Applications Taken	# Ineligible	% Ineligible
2004-05	131,157	25,495	19.5%
2005-06	143,226	32,208	22.5%
2006-07	141,757	32,656	23.0%
2007-08	138,614	31,315	22.6%

There are three basic reasons clients are ineligible for a certificate; those persons who do not qualify for legal reasons, those individuals who are granted a certificate but abandon the process, and those persons who do not qualify because their financial circumstances exceed the eligibility threshold. Historically, each of these reasons accounts for approximately one-third of total ineligible individuals on an annual basis.

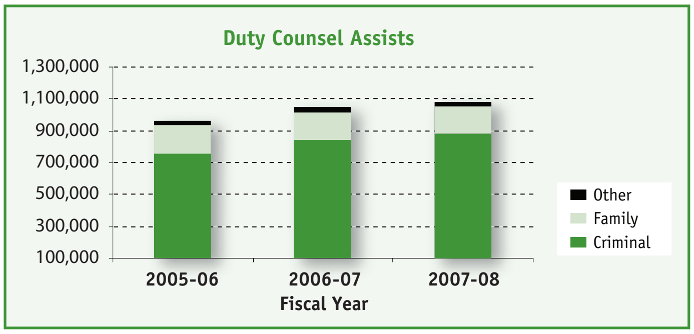
The total number of certificates issued for the year was 107,299 compared to a target of 109,851, a difference of 2,552 certificates. This was the result of significant changes in various areas of law within the certificate program in 2007-08.

duty counsel

Duty counsel services are provided either by in-house staff or by private practice lawyers who are paid on a per diem basis in every courthouse in Ontario, including more than 30 remote and fly-in locations.

Duty counsel lawyers work in courtrooms across the province, providing efficient, cost-effective assistance to people in need of legal support. Duty counsel provide front-line advice, information and representation to individuals who would otherwise be unrepresented and unassisted in the legal system.

The total number of assists provided to people from duty counsel lawyers increased by 3% in 2007-08 over the previous year, reaching a total of 1,078,073 (see chart at right).



In fiscal 2007-08, Criminal assists increased by 38,099 or 5%, while the number of Family assists decreased by 2,931, or 2%, in the same period.

The following charts illustrate the change in Duty Counsel assists between fiscal 2005-06 and 2007-08, by type of law:

Number of Duty Counsel Assists Provided

Aid Category	2005-06	2006-07	2007-08	% Change
Criminal	757,778	844,440	882,539	5%
Family	177,385	171,897	168,966	-2%
Other	26,233	30,619	27,198	-11%
Total	**961,396**	**1,046,956**	**1,078,703**	**3%**

community legal clinics

Legal Aid Ontario funds 80 community legal clinics throughout the province, including 17 specialty legal clinics, providing poverty law assistance services, public legal education to agencies and low-income communities, and engaging in law reform activities. Clinics are independent non-profit organizations.

General service clinics provide low-income Ontarians legal support in a number of areas of law, including the Ontario Disability Support Program (ODSP), worker's compensation, housing, worker's health and safety, and social benefits. In total, there were 155,840 services provided, with approximately 148,000 files being direct client services in the form of legal advice, brief service or full legal representation.

Specialty legal clinics focus on specific groups of disadvantaged clients or particular areas of law that affect large numbers of low-income people. Through test case litigation, law reform work and community development legal clinics are often at the forefront of systemic change that benefits low-income Ontarians.

LAO is working on developing comparative numbers and results for baseline efficiencies between clinics. The results below are based on actual numbers provided by clinics. These results do not make allowances for variations in reporting from clinic to clinic.

Direct Client Services	2006-07	2007-08
New Cases	17,628	17,781
Brief Cases	28,795	29,304
Advice	101,515	100,420
*Outreach	7,902	9,083
Total	**155,840**	**156,588**

**Outreach refers to Community Development, Law Reform and Public Legal Education files active each year.*

report on client services

student legal aid services societies

Student Legal Aid Services Societies (SLASS), funded by LAO and delivered by volunteer law students, operate out of Ontario's six university law schools to provide public legal education and to deliver legal advice and representation to low income Ontarians who cannot afford a lawyer but do not qualify for legal aid.

Among the issues they deal with are minor criminal matters, landlord and tenant disputes, immigration issues, workers' rights and tribunals, including the Ontario Human Rights Commission.

In 2007-2008, more than 900 law students, or almost one-quarter of all faculties of law students in the province, participated in the SLASS program. The SLASS program provided legal services to low income Ontarians in 20,294 instances in 2007-2008.

The charts below provide a summary breakdown of the services provided by SLASS volunteers over the past three years:

Summary of Services Provided by Student Legal Aid Services Societies

	2005	2006	2007
Cases	3,064	2,739	2,979
Affidavits and Declarations	3,111	2,920	3,918
Summary Advice	2,962	2,606	2,720
Referrals	7,938	8,905	10,246
*Other Services	366	390	431
Total	**17,441**	**17,560**	**20,294**

** Includes Public Legal Education, Law Reform and Outreach Activities*

Participation in Student Legal Aid Services Societies

	2005	2006	2007
Students Enrolled in Law Faculties	3,793	3,865	3,914
Students Participating in SLASS program	985	1,016	933
(as a % of Total Enrolled)	25.97%	26.29%	23.84%

statutory mandate

Legal Aid Ontario has a statutory mandate to promote access to justice throughout Ontario for low-income individuals by means of:

- Providing consistently high quality legal aid services in a cost-effective and efficient manner;
- Encouraging and facilitating flexibility and innovation in the provision of legal aid services;
- Identifying, assessing and recognizing the diverse legal needs of low-income individuals and disadvantaged communities in Ontario; and
- Providing legal aid services to low-income individuals through a corporation that will operate independently from the Government of Ontario but within a framework of accountability to the Government of Ontario for the expenditure of public funds.

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

our vision

To ensure that healthy communities include responsive and meaningful legal aid services and improved access to justice.

VALUES

Integrity

We act with integrity and we assume that others do so.

Respect

We practice respect in all relationships.

Responsiveness

We are responsive to clients, stakeholders and staff.

We treat people in an equitable way, recognizing their needs.

Excellence

We strive for excellence and continuous quality improvement.

We aim to attract and retain the best employees.

Independence

We are an independent part of the justice system.

Accountability

We are accountable to the government, clients, stakeholders and staff.

Openness

We are open and consultative in decision-making.

Consistency

We are consistent in our processes and decision-making.

We create unity across the organization. We make decisions on the basis of facts and sound principles.

financial statements

for the year ended March 31, 2008

contents

Legal Aid Ontario
Aide Juridique Ontario

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

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

375 University Avenue, Suite 404, Toronto ON M5G 2G1
375, avenue University, bureau 404, Toronto ON M5G 2G1
Toll free / Sans frais : 1-800-668-8258
Phone / Téléphone : 416-979-2352
Fax / Télécopieur : 416-979-2948
www.legalaid.on.ca

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the financial statements. Management prepared the financial statements in accordance with Canadian generally accepted accounting principles. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

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 are safeguarded.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control though an Audit and Finance Committee of the Board. The Board meets bimonthly to oversee the financial activities of Legal Aid Ontario. On an annual basis, the Board reviews the financial statements and auditor's report thereon, and submits them to the Ministry of the Attorney General.

The 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 generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.

Robert Ward
President & CEO
June 23, 2008

Michelle A. Séguin
Vice President, Corporate Services
June 23, 2008

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

auditor's
letter

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2008 and the statements of operations and changes in accumulated surplus (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Legal Aid Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

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

Toronto, Ontario
June 5, 2008

Jim McCarter, CA
Auditor General
Licensed Public Accountant

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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

balance sheet

As at March 31

	2008 ($000's)	2007 ($000's)
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 8,918	$ 16,317
Accounts receivable (Notes 1 and 4)	23,207	17,755
Prepaid expenses	881	898
Short-term investments (Notes 1 and 5)	41,252	22,362
Short-term investments - contingency reserve (Notes 1, 5 and 10)	20,000	2,635
	$ 94,258	$ 59,967
Long term client accounts receivable (Note 1 and 4)	19,368	29,598
Capital assets (Note 6)	8,890	11,167
	$ 122,516	$ 100,732
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 77,830	$ 79,038
Accrued pension benefit (Note 13)	1,064	916
Deferred capital contributions (Note 8)	747	1,219
	$ 79,641	$ 81,173
Net Assets		
Accumulated surplus (Note 2(c))	$ 14,732	$ 6,976
Invested in capital assets (Note 9)	8,143	9,948
Contingency reserve (Notes 5 and 10)	20,000	2,635
	$ 42,875	$ 19,559
	$ 122,516	$ 100,732

On behalf of the Board:

John D. McCamus, chair

On behalf of the Audit and Finance Committee:

Derry Millar, committee chair

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

Legal Aid Ontario
Aide juridique Ontario

statement of operations and changes in accumulated surplus (deficit)

For the year ended March 31		2008 ($000's)		2007 ($000's)
REVENUE				
Province of Ontario (Note 2(a))	$	**283,888**	$	269,106
The Law Foundation of Ontario		**56,419**		51,532
Client contributions		**18,950**		17,281
Judgments, costs and settlements		**282**		407
Investment and other income		**3,111**		1,358
	$	**362,650**	$	339,684
EXPENSES				
Core Business				
Certificate Program				
Criminal - Big Cases	$	**20,631**	$	23,841
Criminal - Others		**74,950**		72,986
		95,581		96,827
Family		**45,927**		49,778
Immigration and refugee		**14,801**		16,472
Other civil		**5,981**		6,084
Settlement conferences		**133**		130
Sub-total		**162,423**		169,291
Area office services		**24,088**		23,927
Family law offices		**2,366**		2,304
Criminal law offices		**1,582**		1,630
Refugee law office		**871**		872
	$	**191,330**	$	198,024
Duty Counsel Program				
Duty counsel fees and disbursements		**34,599**		33,750
Expanded duty counsel		**606**		598
	$	**35,205**	$	34,348
Clinic Program and Special Services				
Clinic law services (Note 11)		**60,702**		57,203
Nishnawbe-Aski allocation		**1,610**		1,610
Student legal aid societies		**3,013**		2,920
	$	**65,325**	$	61,733
Service Innovation Projects				
Other		**1,094**		1,109
	$	**1,094**	$	1,109

continued

Legal Aid Ontario
Aide juridique Ontario

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

For the year ended March 31	2008 ($000's)	2007 ($000's)
EXPENSES *(continued)*		
Service Provider Support		
Research facility	2,091	2,054
Administrative and other costs		
Provincial office	25,540	24,930
Amortization expense	3,149	3,648
Bad debts	9,094	5,624
	37,783	34,202
	$ 332,828	$ 331,470
Excess of revenue over expenses for the year	29,822	8,214
Accumulated surplus (deficit), beginning of year	6,976	(3,573)
Change in accounting policy related to financial instruments (Note 1)	(6,506)	–
Invested in capital assets	1,805	2,335
Transferred to contingency reserve (Note 10)	(17,365)	–
Accumulated surplus, end of year	$ 14,732	$ 6 ,976

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

statement of cashflow

For the year ended March 31	2008 ($000's)	2007 ($000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**$ 29,822**	$ 8,214
Valuation adjustment on client accounts receivable	**(6,506)**	-
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Amortization	**3,149**	3,648
Amortization of bond premium	**-**	(81)
Amortization of deferred contributions	**(472)**	(792)
Market value adjustment of short term investments	**-**	(246)
Loss on sale of investments	**-**	222
Accrued pension benefits	**148**	500
Changes in non-cash working capital balances:		
Accounts receivable and long-term client accounts receivable	**4,778**	96
Prepaid expenses	**17**	319
Accounts payable and accrued liabilities	**(1,208)**	6,532
Accrued interest on investments	**(890)**	(282)
	$ 28,838	$ 18,130
INVESTING ACTIVITIES		
Purchase of capital assets	**$ (872)**	$ (521)
Purchase of investments	**(35,365)**	(36,534)
Redemption of investments	**-**	28,944
	$ (36,237)	$ (8,111)
Net increase (decrease) in cash and cash equivalents during the year	**(7,399)**	10,019
Cash and cash equivalents, beginning of year	**16,317**	6,298
Cash and cash equivalents, end of year	**$ 8,918**	$ 16,317

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

Legal Aid Ontario
Aide Juridique Ontario

summary of significant accounting policies

March 31, 2008

NATURE OF OPERATIONS

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 and is tax exempt under the *Income Tax Act* (Canada).

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

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven 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.

BASIS OF ACCOUNTING

The Corporation follows the deferral method of accounting for contributions.

Accumulated surplus (deficit) represents the excess (deficiency) of revenue over expenses related to the Corporation's program delivery and administrative activities.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

REVENUE RECOGNITION

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

EXPENSE RECOGNITION

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

continued

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

summary of significant accounting policies

continued

INVESTMENTS

The Corporation has designated all of its investments as Available for Sale and as such, are recorded at fair value with changes in fair value recorded in the statement of operations and changes in accumulated surplus/(deficit).

CAPITAL ASSETS

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

Furniture and office equipment	5 years
Computer hardware and software	3 years
Custom-designed software	3 years
Enterprise-wide software	7 years
Leasehold improvements	over the term of lease

DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions, related to the funding received from the Province of Ontario for the acquisition of capital assets, represents the unamortized portion of contributions used for the acquisition of capital assets. Amortization of the deferred capital contribution is provided on the same basis as the related asset.

PENSIONS

Substantially all of the Corporation's employees are enrolled in a defined contribution plan. The cost of pension benefits for defined contribution plans are charged to operations as contributions become due. The Corporation also has a small number of employees enrolled in a defined benefit plan. The cost of pension benefits earned by the employees covered by the defined benefit plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, terminations and retirement ages of plan members. Adjustments for plan amendments, changes in assumptions and actuarial gains and losses are recorded in the statement of operations over the expected average remaining service life of the employee group which is approximately 9 years.

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 in the future.

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

notes
to financial statements

March 31, 2008

1. Change in Accounting Policy and Future Accounting Changes

Effective April 1, 2007, the Corporation implemented The Canadian Institute of Chartered Accountants' Handbook Section 3855, Financial Instruments – Recognition and Measurement.

The Corporation has designated all of its investments as Available for Sale and as such are recorded at fair value. Transaction costs related to the purchase of investments are capitalized and costs related to the sale of investments are expensed in the year incurred. Changes in fair value are treated as an increase or decrease in the statement of changes in accumulated surplus (deficit). The impact of this change is nil due to the nature of the investments.

As per the CICA standards, the Corporation has designated client accounts receivable as loans and receivables and carries them at amortized cost using the effective interest rate method.

As required by the transitional provision, the accounting policy change has been adopted on a retroactive basis, without restatement. The impact of this change is to adjust the accumulated surplus, as at April 1, 2007 for $6.5 million representing a decrease in client accounts receivable. For the year ended March 31, 2008, the impact of this change was a decrease in client accounts receivable of $0.170 million, with a corresponding net unrealized loss of $0.170 million.

Future accounting changes:

The following summarizes a future accounting change that will be relevant to the Corporation's financial statements subsequent to March 31, 2008.

Financial instruments – disclosure:

The Canadian Institute of Chartered Accountants issued new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Corporation commencing on April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Corporation may be exposed and how it manages those risks.

2. Funding by the Province of Ontario

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

The Memorandum of Understanding which was signed on December 22, 2000 expired April 1, 2004. The Corporation and the Attorney General of Ontario have drafted a new MOU; however, the MOU has not been approved by Treasury Board.

(a) Contributions received from the Province of Ontario were allocated as follows:

	2008 ($000's)	**2007 ($000's)**
Contributions	**$ 283,416**	$ 268,314
Amortization of deferred contributions (Note 8)	**472**	792
	$ 283,888	$ 269,106

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2008 is an amount of $50.4 million (2007 - $50.7 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the *Youth Criminal Justice Act*, and other expenditures for unique pressures through a cost-sharing arrangement.

(c) Subsection 66(3) of the *Legal Aid Services Act*, 1998 allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

Legal Aid Ontario
Aide juridique Ontario

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

notes
to financial statements
continued

March 31, 2008

3. Cash and cash equivalents

The Corporation has an available line of credit in the amount of $5 million which remained unused as of March 31, 2008. The credit facility bears interest at prime rate and is unsecured.

4. Accounts Receivable

	2008 ($000's)	2007 ($000's)
Client accounts receivable	**$ 73,152**	$ 77,388
Less: Allowance for doubtful accounts	**(42,778)**	(38,140)
Client accounts receivable (net)	**30,374**	39,248
Less: Long-term portion of client accounts receivable	**(19,368)**	(29,598)
Client accounts receivable - current	**11,006**	9,650
Due from The Law Foundation of Ontario	**3,798**	4,879
Other receivables	**8,403**	3,226
Current accounts receivable	**$ 23,207**	$ 17,755

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, by which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

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

March 31, 2008

5. Investments

The Corporation has designated all of its investments as Available for Sale and as such are recorded at fair value.

	2008 ($000's)				2007 ($000's)			
		Carrying Value		Fair Value		Carrying Value		Fair Value
Guaranteed investment certificates	$	**60,000**	**$**	**60,000**	$	24,635	$	24,635
Accrued interest		**1,252**		**1,252**		362		362
	$	**61,252**	**$**	**61,252**	$	24,997	$	24,997
Less: Contingency reserve								
- Short-term (Note 10)	$	**(20,000)**	**$**	**(20,000)**	$	(2,635)	$	(2,635)
Total	$	**41,252**	**$**	**41,252**	**$**	22,362	$	22,362

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 investments held by the Corporation as at March 31, 2008 are in compliance with the statutory requirements. The Corporation earned total investment income of $1.7 million in 2008 (2007 - $0.8 million).

The Corporation's investment portfolio is exposed to various risks, which are mitigated by the type of investments and therefore risk is low. The associated risks with the investments are as follows:

(a) Interest rate risk:
The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The fixed income investments consist of $60 million in 2008 (2007 - $24.6 million) in guaranteed investment certificates, bearing interest rates ranging from 3% to 4.4% (2007 - 4.05%) and maturing from August 21, 2008 to March 30, 2009 (2007 - October 23, 2007 to December 31, 2007).

(b) Liquidity risk:
Liquidity risk is the ease with which an organization can readily convert their investments into cash. Guaranteed investment securities represent instruments in highly liquid investments that are readily converted into known amounts of cash.

(c) Market risk:
Market risk arises as a result of trading fixed income securities. Fluctuation in the market exposes the Corporation to a risk of loss. Given the composition of the investment portfolio and the statutory requirements regarding investment decisions, market risk is low.

continued

notes
to financial statements
continued

March 31, 2008

6. Capital Assets

	2008 ($000's)		2007 ($000's)	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Furniture and office equipment	**$ 3,227**	**$ 3,079**	$ 3,198	$ 2,938
Computer hardware and software	**18,135**	**17,259**	17,519	16,743
Custom-designed software	**46**	**5**	817	817
Enterprise-wide software	**15,628**	**8,209**	15,628	5,978
Leasehold improvements	**5,237**	**4,831**	5,056	4,575
	$ 42,273	**$ 33,383**	$ 42,218	$ 31,051
Net book value		**$ 8,890**		$ 11,167

7. Accounts Payable and Accrued Liabilities

	2008 ($000's)	2007 ($000's)
Legal accounts - billings received but not paid	**$ 19,547**	$ 19,755
- work performed but not yet billed	**54,096**	54,376
Rent inducements	**12**	54
Trade and other payables	**3,622**	4,077
Vacation pay	**553**	776
	$ 77,830	$ 79,038

At year end, management estimates the liability for work performed by private lawyers that has not yet been billed to the Corporation to be approximately $54.1 million (2007 - $54.4 million). The methodology used to estimate this liability is based on actual service dates.

Due to the uncertainty involved in the estimation process, there will be a difference between the estimated and actual liability for legal accounts. Any adjustment of the estimated liability will result in a corresponding increase or decrease in expenses for the "certificate program," the "Excess of revenue over expenses for the year", and the "Accumulated surplus (deficit)".

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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

March 31, 2008

8. Deferred Capital Contributions

Changes in capital contributions relating to Province of Ontario funded projects are as follows:

	2008 ($000's)	2007 ($000's)
Balance, beginning of year	**$ 1,219**	$ 2,011
Amortization of deferred contributions (Note 2(a))	**(472)**	(792)
Balance, end of year	**$ 747**	$ 1,219

9. Changes in Net Assets Invested in Capital Assets

	2008 ($000's)	2007 ($000's)
Balance, beginning of year	**$ 9,948**	$ 12,283
Amortization	**(3,149)**	(3,648)
Amortization of deferred contributions	**472**	792
Purchase of capital assets	**872**	521
End of year balance	**$ 8,143**	$ 9,948
Capital assets (Note 6)	**$ 8,890**	$ 11,167
Deferred capital contributions (Note 8)	**(747)**	(1,219)
	8,143	$ 9,948

continued

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

notes
to financial statements
continued

March 31, 2008

10. Contingency Reserve

Section 66(4) of the *Legal Aid Services Act*, 1998, requires the Corporation to maintain a contingency reserve fund as prescribed. Section 6 of Ontario Regulation 107/99, made under the *Legal Aid Services Act*, 1998, requires the Corporation to pay into the account, which was to be established for the purpose of holding the reserve fund, the capital amount of $20 million. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond $5 million of this capital amount and for the Corporation to provide an explanation of why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in future.

	2008 ($000's)	2007 ($000's)
Balance, beginning of year	$ 2,635	$ 2,635
Transfer to contingency reserve from accumulated surplus	17,365	-
Balance, end of year	$ 20,000	$ 2,635

	2008 ($000's)	2007 ($000's)
Investments - short-term (Note 5)	20,000	2,635
	$ 20,000	$ 2,635

Legal Aid Ontario
Aide Juridique Ontario

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

March 31, 2008

11. Clinic Law Services

The Corporation provides funding to community legal clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community legalclinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community Legal Clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act*, 1998. Each community legal clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total grant to community legal clinics consists of:

	2008 ($000's)	2007 ($000's)
Payments to and on behalf of clinics	**$ 58,865**	$ 55,479
Administrative costs	**1,837**	1,724
	$ 60,702	$ 57,203

12. Commitments and Contingencies

(a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2008 management estimates that a potential $47.0 million (2007 - $48.0 million) could still be incurred on certificates issued on or before March 31, 2008 over and above the billings received to date and management's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The base rent and estimated operating costs based on prior period information under these leases for the next five years and thereafter are approximately as follows:

	Base Rent ($000's)	Operating Cost ($000's)	Total ($000's)
2009	$ 3,328	$ 3,710	$ 7,038
2010	2,892	2,847	5,739
2011	2,574	2,646	5,220
2012	1,815	2,135	3,950
2013	1,506	1,838	3,344
Thereafter	6,724	8,862	15,586
	$ 18,839	$ 22,038	$ 40,877

continued

March 31, 2008

12. Commitments and Contingencies *(continued)*

(c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible of up to $0.05 million, depending on when the event of the claim occurred and the nature of the claim.

13. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The corporation has effectively two plans: a defined contribution with a defined benefit component and a supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 594 (2007 - 578) employees which is the majority of employees. The Corporation makes pension contributions to the defined contribution component of the plan which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was $1.722 million (2007 - $1.620 million).

Defined Benefit Component

The defined benefit component of the plan covers 10 (2007 - 11) participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. The next actuarial valuation will be performed in fiscal 2011 on the value at January of 2011. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

For the year ended March 31, 2008 an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	5.3%
Salary increases	4.0%
Expected rate of return on assets	6.0%

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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

March 31, 2008

13. Pensions *(continued)*

The actuarial valuation for accounting purposes for the year ended March 31, 2008 are as follows:

	2008 ($000's)	2007 ($000's)
Accrued benefit obligation	**$ 3,183**	$ 2,860
Fair value of plan assets	**2,940**	2,929
Actuarial surplus (deficit)	**(243)**	69
Pension income (expense)	**39**	(57)
Pension accrued benefit asset	**88**	49
Pension contributions:		
Employees	**35**	24
Corporation	**72**	57
Pension paid benefits	**48**	37

Included in the employees and Corporation defined benefit contributions is $0.008 million paid by one individual and $0.008 million paid by the Corporation. This individual is a member of the Ontario Pension Board.

Supplementary Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary pension benefit plan for designated executive members. Under the supplementary benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2008.

For the year ended March 31, 2008 an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	6.0%
Inflation	3.0%

The actuarial valuation for accounting purposes for the year ended March 31, 2008 indicated the Corporation's pension expense on this benefit for the year was $0.187 million (2007 - $0.499 million); the pension accrued benefit obligation as at March 31, 2008 was $0.634 million (2007 - $1.004 million); and the accrued benefit liability as at March 31, 2008 was $1.152 million (2007 - $0.965 million). During the year, the employee and the Corporation made no payments to the plan (2007 - $ nil).

14. Comparative Figures

Certain comparative figures has been reclassified in order to conform with current year presentation.

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

management's discussion & analysis

For the year ended March 31, 2008

This discussion and analysis will assist in understanding the operating results and financial position of Legal Aid Ontario as well as its strategic direction regarding the provision of services in the future. It should be read in conjunction with the audited financial statements for the Corporation for the year ended March 31, 2008 prepared in accordance with Canadian generally accepted accounting principles, and the accompanying notes which form a part of those statements.

OVERVIEW OF OPERATING RESULTS FOR THE YEAR ENDED MARCH 31, 2008

Legal Aid Ontario recorded an excess of revenue over expenses for the year ended March 31, 2008 of $29.8 million.

Total revenues increased by $22.9 million, to $362.6 million in 2007-08 while expenses amounted to $332.8 million, for an increase of $1.4 million, in comparison to the last fiscal year.

The $21.6 million change in year-to-year operating results is due to a number of factors:

- A delay in expending funds related to a number of initiatives for which an additional $15 million in grants was received from the Province during the year;
- Law Foundation revenue amounted to $56.4 million in fiscal 2007-08, the highest level recorded by LAO and an increase of $4.9 million over the previous year;
- An increase of approximately $3.3 million in other revenue sources such as client contributions and investment income;
- A reduction in certificate program expenditures in the amount of $6.9 million;
- An increase of $0.9 million for Duty Counsel services;
- Additional funding amounting to approximately $3.6 million provided to community legal clinics;
- A marginal increase of $0.6 million in provincial office costs from 2006-07, primarily the result of $1.8 million in savings achieved through our Value Agenda initiatives; and
- A change in accounting policy which we were required to implement in order to comply with International Financial Reporting Standards. This resulted in bad debt expense increasing by $3.5 million as well as a net reduction of $0.2 million in client contribution revenues in 2007-08.

FISCAL 2008 ANALYSIS

Revenues

Revenues increased to $362.6 million in 2007-08 from $339.6 million the previous year. The major reasons for this change are as follows:

Province of Ontario

Last year, the Province announced a three year funding increase for Legal Aid Ontario amounting to $51 million. The portion funded in 2007-08 amounted to $15 million and the Board approved specific initiatives to use these funds.

The actual expenditures related to this funding totalled $7.8 million and, since LAO had received the revenue for these initiatives, the difference of $7.2 million contributed to the 2007-08 surplus. LAO is including the cost of issuing additional family certificates, completing the aboriginal justice strategic plan and implementing the clinic management information system in our 2008-09 budget.

Law Foundation of Ontario

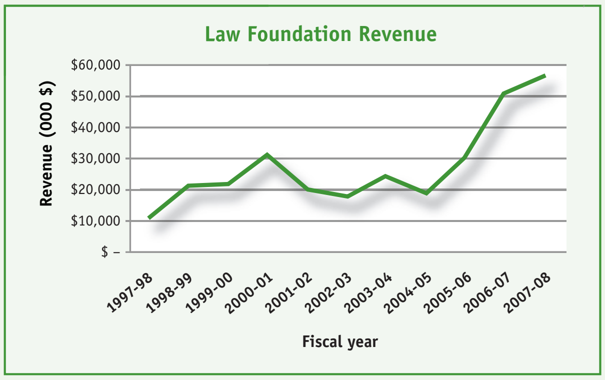
The Law Foundation of Ontario administers the interest earned on lawyers' trust fund balances and Legal Aid Ontario receives 75% of this income. These revenues are highly dependent on two factors: the Bank of Canada overnight interest rate and real estate activity levels.

Law Foundation revenue amounted to $56.4 million in fiscal 2007-08, the highest level recorded by LAO and 9.5 % greater than last year.

The increase in revenue during 2007-08 is partially attributable to continued strength in the real estate market. The Bank of Canada interest rate, another major aspect affecting these revenues, began the year at 4.25% and was increased by 0.25% in July 2007. This rate remained stable until reductions of 0.25% were made in each of December 2007, January and March 2008.

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

The following chart illustrates the volatility of these revenues and the extent to which they have been increasing during the last few years:



The unpredictable nature of changes in the interest rate compounds the difficulty in forecasting these revenues. Since this is not a stable revenue source from year to year, it also complicates planning for services since certificates, a major component of our operations, usually require up to three years to resolve and are paid over that same period.

Law Foundation revenues accounted for over 15% of all LAO income in 2007-08.

Client Contributions

Legal Aid Ontario has a client contribution program for applicants who do not meet the Corporation's financial eligibility guidelines for non-contributory certificate services. These applicants receive the legal assistance they need and enter into an agreement in which they undertake to repay the Corporation for the cost of the services provided on their behalf by solicitors who are paid through Legal Aid Ontario. These agreements may include monthly payment arrangements and/or liens on property.

The change in accounting policy noted earlier resulted in a net reduction of $0.2 million in 2007-08. Inclusive of this adjustment, the net increase in revenue was $1.7 million compared to 2006-07 to record client receivables at amortized cost using the effective interest method.

Investment and Other Income

Excess funds not immediately required to meet operating requirements are invested in interest bearing bank accounts and short term investment certificates.

The unanticipated growth in Law Foundation revenues, together with reduced program and other expenditures, produced excess cash which was invested and generated an additional $1.1 million in revenue this year.

In addition, we bill an administrative component for cases that are federally funded and these amounts are recorded as revenue. This contributed approximately $0.5 million in additional income in 2007-08.

Expenses

Total expenditures increased to $332.8 million for the year, an increase of $1.4 million compared to 2006-07.

Certificate Program

Certificate costs for the year amounted to $162.4 million, a decrease of $6.9 million or 4.1% compared to last year. The total number of certificates issued for the year was 107,299 compared to a target of 109,851, a difference of 2,552 certificates.

This was the result of significant changes in various areas of law within the certificate program in 2007-08.

The major change in certificate costs involved the area of Family law which decreased as a result of an unexpected decline in family law court proceedings. Between 2006-07 and 2007-08 the number of proceedings in the family courts declined by 2.3% and the number of family certificates issued declined by 3.2%. These changes in the courts led to a reduction in the number of family certificates issued and accounts for approximately $3.8 million of the total decrease in the certificate program expenditure on a year-to-year basis.

As part of the new funding provided by the Province, it was planned to issue 500 certificates on a one-time basis and add 750 new certificates to our base, at a total cost of $1.8 million, to improve service for family law clients. The fact that funds were received but not expended contributed

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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

to our operating surplus for the year. Our plan is to issue these certificates in 2008-09 and we will be rigorously monitoring the situation to ensure that this takes place.

Immigration and refugee law expenditures decreased by $1.7 million despite the number of certificates issued reaching 11,401 or 3.1% above target. Most Immigration certificates are issued for refugee claims. Decreasing expenditures can be explained by the growing backlog of refugee claims to be heard before the Refugee Protection Division of the Immigration and Refugee Board. This is supported by the reported 25% decline in claims finalized from 2006-07 to 2007-08 at the Immigration and Refugee Board. This decrease is explained in the report by a "significant shortage of decision-makers" (Source: *Report on Plans and Priorities 08-09, Immigration and Refugee Board*). This delay in hearing cases represents a potential future cost for LAO once the shortage of members is resolved.

Big Case expenditures were $3.2 million less than last year. This is partially due to the timing of cases when there are large numbers of accused involved, as well as strengthened controls in the management of this program. In 2007-08, we recovered $2.4 million from the federal Department of Justice, compared to the $1.7 million recovered the previous year. These recoveries are directly offset against the cost of fees and disbursements related to these types of cases.

There were 64,335 certificates issued for criminal cases and this was 2.2% less than the 2007-08 target of 65,784. The cost of criminal cases increased by $2.0 million or 2.6% in comparison to last year.

There was a decrease of approximately 2,300 family certificates in 2006-07 and this contributed to the cost reduction in this aid category in 2007-08. Similarly, fewer immigration and refugee certificates were issued in 2005-06 and lower costs would therefore be reflected in in 2007-08, based on a three-year cycle for pay outs.

Duty Counsel

Duty Counsel expenditures increased marginally by $0.8 million this year. This is mainly the result of the tariff increase which was also part of the additional funding provided by the Province.

Clinics

Approximately $3.9 million of the additional government funding received in 2007-08 was directed towards Clinic services. Amounts reflected in this increased allocation included $0.3 million in funding for a new clinic which will increase to $0.6 million in 2008-09, expansion of French language services for clinic clients in the amount of $0.15 million, and $2.3 million to assist clinics with operating pressures. Included in this allocation was an amount of $1.2 million for an information management system project that was not implemented during the year. This is one of the items that contributed to our 2007-08 surplus and we plan to expend this amount in 2008-09.

Administrative Expenses

Administrative expenses increased by only $0.6 million compared to last year. In comparison, the estimated increase in costs included in the 2007-08 budget was $2.5 million and this underexpenditure contributed to our surplus position for the year. Approximately $1.4 million of this underspending related to not filling staff vacancies in anticipation of technological changes. Office supplies, computer and consulting services, leasehold operating expenses and communication expenses were the major contributors to the remaining underexpenditure compared to budget.

Bad Debts

The increase of $3.5 million in bad debt expense is a result of the assessment of amortized cost of client accounts receivable to comply with International Financial Reporting Standards requirements adopted by the Canadian Institute of Chartered Acccountants (CICA). In addition, after a comprehensive review of our accounts receivable, it was decided that a one-time adjustment should be made to increase the allowance for bad debts.

Value Agenda

The Value Agenda is fundamental to our strategic direction. Initiatives that were implemented last year and are reflected in the financial statements this year amounted to $1.85 million. These savings appear under various categories in the financial statements but particularly in administrative costs.

Impact of Accounting Policy Change

Legal Aid Ontario is required to implement section 3855 of the CICA handbook as part of a broader initiative by Canada to adopt International Financial Reporting Standards.

This change involves the way in which the value of financial instruments are measured and reported in the

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

financial statements. Financial instruments include cash, trade receivables and payables, loans and notes receivable and payable, as well as contracts containing embedded derivatives. Financial instruments must now be recorded at fair value or amortized cost, depending on the designation of available options.

The most significant factor for LAO in terms of both effort and impact on our financial statements at March 31, 2008 involves client accounts receivable.

The impact of this change in accounting policy and the section of our 2007-08 financial statements affected by it are as follows:

- Increased bad debt expense and assessment of the amortized cost of client accounts receivable (Statement of Operations)
  $3.5 million
- Fair value adjustment of accounts receivable

  Opening Balance (Accumulated Surplus reduction)
  $6.5 million

  Current year (Net Client contribution revenue reduction)
  $0.2 million

Accumulated Surplus

In addition to the adjustment required by the change in accounting policy, the other major changes to the accumulated surplus was a reduction of $1.8 million in the investment in capital assets resulting in a balance of $8.1 million, and a transfer of $17.4 million to replenish the contingency reserve fund. At March 31, 2008 the accumulated surplus balance was $14.7 million in comparison to the previous year's balance of $6.9 million.

Balance Sheet

Total assets at March 31, 2008 increased to $122,516 million from $100,732 million the previous year. The most significant change was in the value of cash and short term investments that now amount to $70.2 million, including the contingency reserve fund balance of $20.0 million. Total accounts receivable have also increased by $5.5 million since last year, to a net balance of $23.2 million at March 31, 2008.

Current liabilities decreased to $79.6 million from $81.2 million the previous year. Net assets amount to $42.9 million at March 31, 2008 compared to $19.6 million at March 31, 2007.

Our working capital ratio is 1.2 at March 31, 2008 compared to 0.74 the previous year.

Outlook

LAO is committed to living within its current financial means, and exploring non-monetary solutions to closing service gaps.

LAO will continue to actively pursue the Value Agenda as an integral part of its strategic direction. LAO will consider everything that is reasonable to create this added value, including the application of new technology to the management of LAO-funded programs, simplifying administrative processes, eliminating overlap and duplication of effort, and making choices on the basis of what has the most positive impact on LAO clients.

The volatility of Law Foundation revenue continues to represent a serious financial challenge for LAO. The organization will examine options to address the uncertainty caused by fluctuations in revenue and to minimize the financial impact on future program planning.

Legal Aid Ontario

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

Telephone: 416-979-2352
Toll free: 1-800-668-8258
Fax: 416-979-8669

Email: info@lao.on.ca
Website: www.legalaid.on.ca

Ce document est disponible en français.

Legal Aid Ontario receives financial assistance from the Government of Ontario.

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

Legal Aid Ontario's annual report is also available in alternative formats.

For further information:

- call our general information service: 416-979-2352 toll free: 1-800-668-8258
- call our TTY service: 416-598-8867 toll free: 1-866-641-8867
- email: info@lao.on.ca
- fax: 416-979-8669
- visit our website: www.legalaid.on.ca