Legal Aid Ontario 2010 ANNUAL REPORT

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

Statutory mandate

Legal Aid Ontario (LAO) 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 of 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 which recognize 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.

Legal Aid Ontario
Aide Juridique Ontario

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LETTER
to the Minister

July 2010

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

Dear Minister,

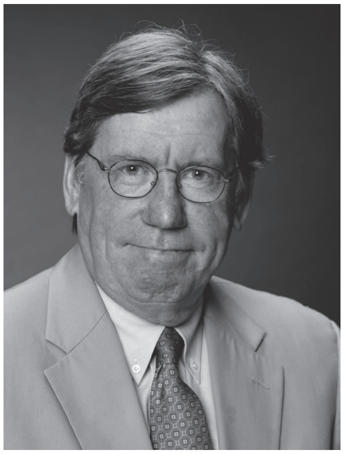
Please accept, in accordance with Section 72 of the *Legal Aid Services Act*, 1998, the Annual Report for Legal Aid Ontario for the year ended March 31, 2010.

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



This year has been an extremely challenging one for Legal Aid Ontario on a number of fronts. Some of these challenges and the debate surrounding them have received wide exposure in the public domain.

Less visible, but no less critical to the ongoing operation of legal aid programs and services across the province has been the difficult reality that LAO has had to serve the requirements of some of Ontario's most vulnerable individuals with millions of dollars less in our budget.

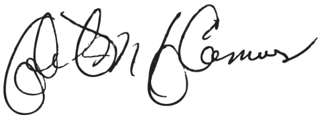
This budgetary shortfall was due almost exclusively to the broader economic climate, which caused LAO revenues from the Law Foundation of Ontario – our second largest source of funding after direct government contributions – to fall from a height of $56 million in 2007/08 to a low of $5 million in 2009/10.

Opportunely, the Government of Ontario granted LAO $15 million in additional funding and the Ontario Ministry of the Attorney General provided LAO with a one-time contribution of $10 million to help bridge the budgetary gap we were facing. In addition, the federal government provided LAO with $3.2 million in one-time funding specifically in support of LAO's Immigration and Refugee Program.

These significant budgetary inputs helped LAO reduce its anticipated operating deficit for 2009/10 by nearly half and continue to build on our resource-saving modernization process, which began three years ago.

The basic thrust of the modernization plan has been to reduce the cost of administration with a view to preserving client service levels in the short term and expanding them in the longer term future. The aforementioned changes to the external financial environment have meant we've had to accelerate the modernization plans to streamline our administration and service delivery, oftentimes with added stresses being placed on LAO staff and service providers.

LAO's ability to successfully weather unavoidable financial squalls is due in no small measure to the superlative dedication and service provided to clients by our staff and service providers during these difficult times. I offer my sincerest thanks and appreciation to these keen public servants, along with the Governments of Ontario and Canada, and further offer the promise that the board, directors and executive management are working – and will continue to work – tirelessly to stabilize LAO's financial future and close any service gaps that remain.



John D. McCamus,
Chair

MESSAGE
from the President and CEO

Legal Aid Ontario continued to implement its modernization strategy in 2009/10. The corporate change process to make LAO more effective and efficient accelerated this year as LAO was faced with significant financial pressures.

By maintaining our strategic focus, LAO has been able to deliver services to clients while consolidating area offices and enhancing LAO's presence in regional court locations to ensure client support and continuity.

LAO also continued to lay the groundwork for future developments. In 2009/10 we piloted a simplified financial eligibility test to provide clarity to clients and to speed up decision making. In addition, LAO invested in service delivery channels such as the Client Service Centre, created family law centres, re-launched our website, and expanded the options that clients have to pay their contributions. To protect public funds, we also enhanced LAO`s compliance capabilities. These investments and changes resulted in the following:

- Increased staff to management ratio from 5-to-1 to 7.3-to-1
- Increased client contributions via the Internet from 0% to 12%, a trend that continues to increase
- Increased our same-day decision making on eligibility from 50% to 60%
- Increased online applications from 12,512 in 2009 to 39,114.
- Assisted 800,000 clients through LAO's duty counsel program.
- Assisted 109,000 clients through LAO's certificate program.
- Reduced administration costs by $5 million.

The financial challenges facing LAO in 2009/10 were significant. Our actual revenue from the Law Foundation was $51 million less than revenues received in 2007/08. However, through prudent spending, additional support from the province and advanced funding from the Law Foundation, LAO was able to maintain services and continue to implement the changes necessary to transform Legal Aid Ontario into the strong justice partner it needs to be to carry out its mandate.

I am confident that as we continue to implement our strategic plan, stakeholders, funders and staff will continue to see the merits of the strategic decisions that were made in 2009/10.

Sincerely,

Robert W. Ward
President and CEO

Board of DIRECTORS

LAO Board Members 2009/10

Left to right: Bob Ward, (Ex-officio member), Paul Dray, James McNee, Ali Alibhai, John Liston, John McCamus (Board Chair), Timothy Murphy, Sujit Choudhry, James Yakimovich, Nancy Cooper.

ABOUT Legal Aid Ontario

What we do

Legal Aid Ontario was established in 1998 under the *Legal Aid Services Act* as an independent but publicly funded and publicly accountable non-profit corporation to administer the province's legal aid program.

Legal Aid Ontario operates nine district offices and is located in various court locations across Ontario and funds 79 community legal clinics throughout the province, including 17 specialty clinics that provide assistance to clients in such areas of law as worker's compensation, housing and income security. LAO also funds Student Legal Aid Services Societies at Ontario's six university law schools, where student volunteers provide legal advice and representation to low-income Ontarians who cannot afford a lawyer but do not qualify for legal aid.

LAO's certificate program provides the means for low-income residents of Ontario to retain a private lawyer to represent them in proceedings before criminal or family courts and administrative tribunals. 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.

LAO provides the funding and other support to the certificate and duty counsel programs, while some 4,000 private lawyers contribute to legal aid by accepting reduced rates and limits on billable hours for the legal services they give to clients.

Committees and volunteers 2009/2010

Advisory committees

LAO is required by provincial law to formally work with 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 law, mental health, Aboriginal justice and French language services. The role of these committees is to provide advice and expertise to the LAO board of directors and to hold LAO accountable to the individuals and organizations who work most closely with the organization in the delivery of legal services to Ontario residents.

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 Group Applications and Test Case Committee fills an important role within LAO. Group cases, test cases and coroner's inquests often raise complex or new legal issues. As a result, expertise is needed to assess the strengths and weaknesses of the legal matter and its potential impact on low-income Ontarians.

LAO Exceptions Committee

The Exceptions Committee is a group of experienced criminal lawyers hired by LAO to provide budgetary recommendations on big criminal cases that are anticipated to cost more than $75,000. The Exceptions Committee is an integral part of LAO's Big Case Management Program.

In Focus

2009/10

Over the past several years, LAO has been implementing a comprehensive corporate change process to make LAO more efficient and responsive to the needs of its clients and to the interests of taxpayers. To that end, LAO developed a modernization strategy to respond to these needs and began implementing the plan in 2009. In addition to addressing revenue shortfalls through efficiency gains and reductions in administrative costs, LAO's goal with its modernization strategy is to provide continued access to the vital services it offers to more than 900,000 clients each year.

A key component of the modernization strategy has been to improve client services by applying new funding announced by the Province of Ontario in September 2009. In 2009/10, the first year in which LAO received this funding, $15 million was applied towards increasing services in family and clinic law and enhancing the Big Case Management program.

Through this combination of modernization and new investment, LAO has improved access to justice, reduced administration costs, increased front-line services and assisted in the reduction of in-court backlogs in both criminal and family law.

Even with LAO's transfer payment from the province increasing to $315 million in 2009/10, or a 10% increase over 2008/2009, LAO incurred a deficit of $27.6 million.

The major reason for this deficit has been the reduction in LAO's other major source of income, the Law Foundation of Ontario. The poor performance of the economy in 2008 and 2009 forced reductions in interest rates by the Bank of Canada which adversely affected Law Foundation revenues. Those low rates continued in 2009/10, further reducing LAO's Law Foundation revenue from $26.2 million in 2008/09 to $4.8 million in 2009/10.

Financial Highlights

- At $342.6 million, LAO revenues exceeded the 2009 revenue target by $35.0 million, or 10.8%.
- For fiscal year 2009, LAO recorded a $27.6-million deficit, $23.1 million less than the approved budget deficit of $50.7 million.
- Total operating expenses were $371.7 million
- Core expenses, excluding administration, were $327.7 million, up from $316.7 million in 2008/09.

Strategic Business Highlights

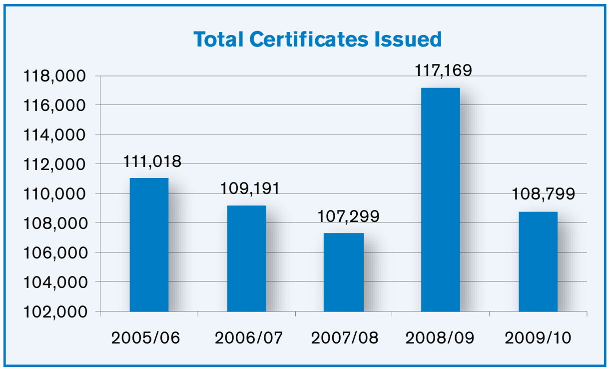
- LAO consolidated regional services and reduced annual costs by $16.5 million. LAO increased its presence in regional court locations to ensure client support.
- Piloted a simplified financial eligibility test to clarify client eligibility for legal aid and speed up decision making.
- 18,000 clients were served at LAO in Courthouse sites in the 2009/10 fiscal year. The number of clients served at the sites increased by an average of 27% each quarter.
- Introduced a new service to allow clients to pay contributions at any bank or through online banking.
- Invested $2.1 million to expand toll-free telephone services for clients, including summary legal advice. Services are available in 120 languages, including 18 aboriginal languages and dialects.
- Relaunched LAO's website in the fall of 2009 to provide an additional resource for legal information for both clients and lawyers.
- Created family law service centres in Toronto, North York, Brampton and Newmarket and enhanced family law services in Sarnia and Chatham through the hiring of additional staff.
- Created a compliance division, upgraded the post-payment review positions and increased investigative efforts.
- Initiated a strategy to reduce administrative costs and keep them in line with OPS standards.
- Provided change management training and tools support for project managers to implement LAO's business strategy.
- Developed a discussion paper on paralegals with an aim to more effectively serve clients and to reduce costs.
- Posted travel expenses of senior managers and tendered and posted all outsourced consulting services to enhance the transparency of LAO's operations.
- Created a major case management office to provide LAO with a more effective way of delivering services in this area. LAO also successfully implemented a new protocol process with MAG to enhance accountability.

Report on
Client Services

Legal Aid Certificates

Legal aid certificates are issued by LAO staff located in district offices, court locations and through LAO's call centre to financially eligible clients who need to retain a private lawyer to represent them in proceedings before criminal or family courts and administrative tribunals, including the Immigration and Refugee Board.

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.



The total number of certificates issued in 2009/10 was 108,799, or approximately 7% lower than in the previous year. This decline was the result of providing clients with direct services and through the elimination of certificates in areas that are not consistent with LAO's strategic directions, such as the elimination of civil litigation certificates.

Number of Legal Aid Certificates Issued by Category

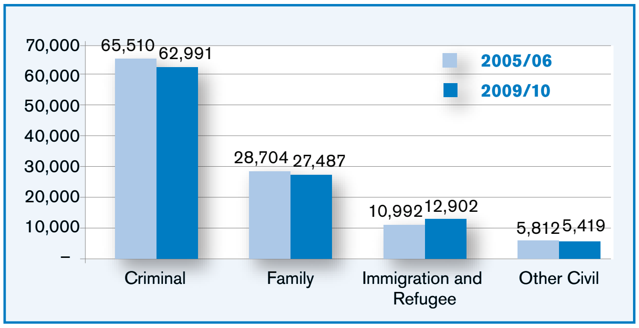
	Criminal	Family	Immigration and Refugee	Other Civil	Total
Actual	62,991	27,487	12,902	5,419	108,799
Target	63,456	27,894	11,768	5,453	108,571
Difference	465	407	-1,134	34	-228
% Difference	0.73	1.46	-9.64	0.62	-0.21

Comparisons to Prior Years

	2005/06	2006/07	2007/08	2008/09	2009/10	% change
Criminal	65,510	65,784	64,335	68,453	62,991	-7.98
Family	28,704	26,540	25,599	30,107	27,487	-8.70
Immigration and Refugee	10,992	11,060	11,401	12,706	12,902	1.54
Other Civil	5,812	5,807	5,964	5,903	5,419	-8.20
Total Certificates Issued	111,018	109,191	107,299	117,169	108,799	-7.14

Distribution of Legal Aid Certificates by Category

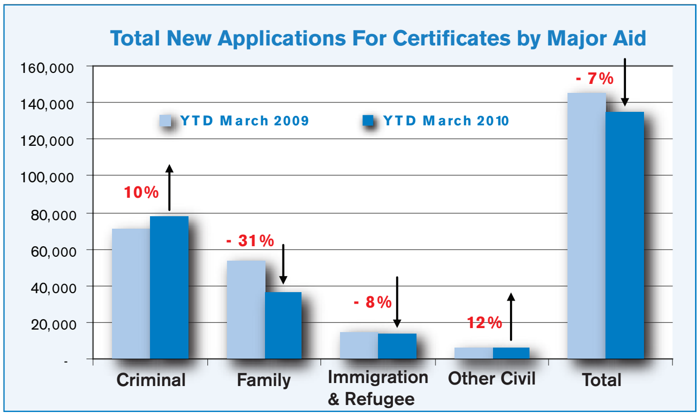
The distribution of legal aid certificates has not changed significantly over the past five years. Criminal law certificates have decreased slightly from 59% to 58%, as have family law certificates from 26% to 25%. The decreases in the these areas have been offset by the increase in Immigration and Refugee Law certificates, which now account for 12% of LAO certificates, up from 10% in 2005/06.



Number of Certificate Applications and Acceptance Rate

Overall, there was a 8% decrease in certificate applications in 2009/10. The number of certificates issued, while down 7%, was offset by the 3.6% increase in duty counsel activities.

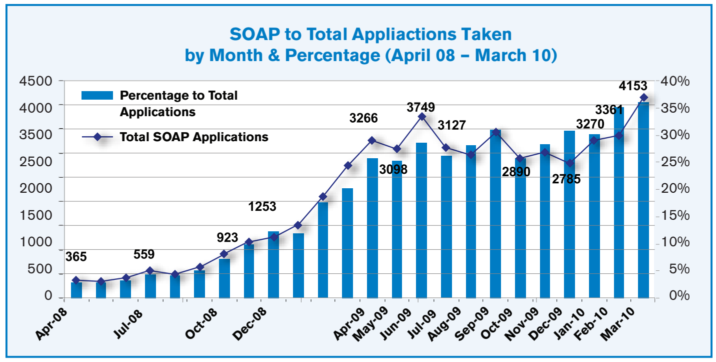
Fiscal Year	Applications Taken	Certificates Issued	Acceptance Rate Percent
2005/06	143,226	111,018	78%
2006/07	141,757	109,101	77%
2007/08	138,614	107,299	77%
2008/09	146,537	117,169	80%
2009/10	134,581	108,799	81%
% change from last year	-8%	-7%	



By far, the biggest reduction in applications came from family law, with a reduction of 31%. This reduction was offset by increases in criminal law at 10% .

Cost per Applications

The chart below is a comparison of 2009/10 and 2008/09 certificate costs. Overall, the cost per application taken decreased by 0.3% over the previous year. One factor in the decrease is a reduction in applications taken. In addition, operational costs have daecreased over the same period.



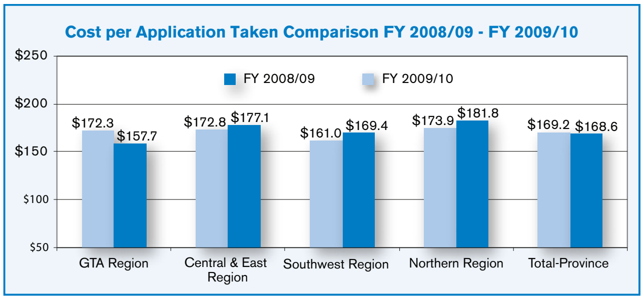
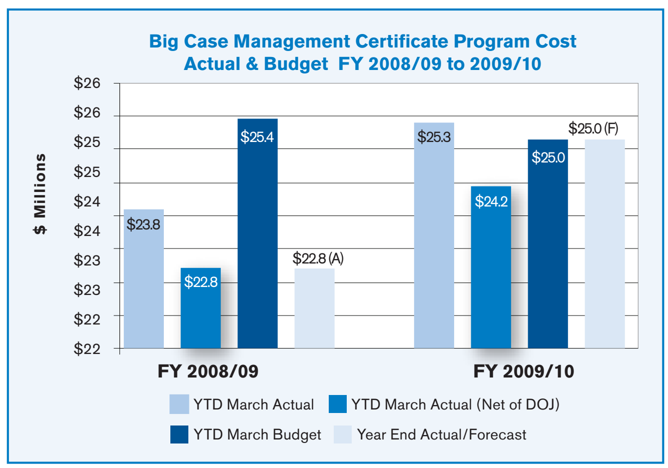


Figure 1: LAO has accomplished further savings in the cost per application taken in 2010-11 to $128.1.

Legal aid certificate applications received through LAO's Simplified Online Application Portal (SOAP) showed a significant increase over the previous year, culminating in a total 39,114 applications received. In comparison, the number of SOAP applications totalled 12,553 in 2008/09. Applications processed through SOAP accounted for approximately 29% of total applications received to the end of March 2010. In comparison, approximately 8% of legal aid applications had been processed through SOAP in 2008/09.

Big Case Management

At fiscal year end, actual expenditures on Big Case Management were $24.2 million, compared to the budget of $25 million. If protocol cases are included, total spending increased to $25.3 million. These expenditures are recovered through the federal and provincial governments so there is no cost impact.



Duty Counsel

Duty counsel services are provided either by in-house staff or 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.

As duty counsel has begun to play an enhanced role in the delivery of LAO services, as a cornerstone of LAO's modernization strategy, costs for duty counsel are increasing accordingly. In 2009/10, the total cost of the duty counsel program increased by $1 million over the previous year. Duty counsel costs for civil matters decreased by $0.8 million, while the costs of criminal assists increased by approximately $1.8 million.

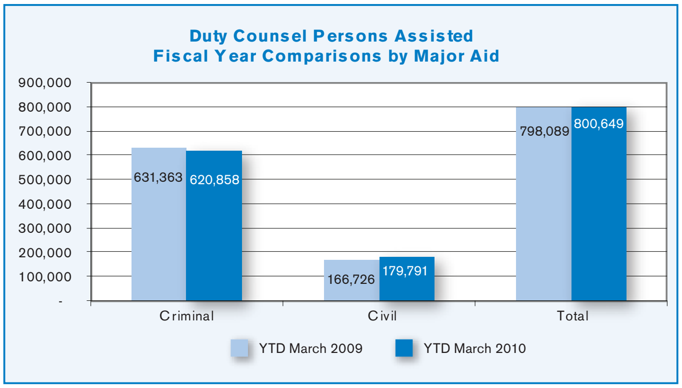
What kind of activities do duty counsel undertake?

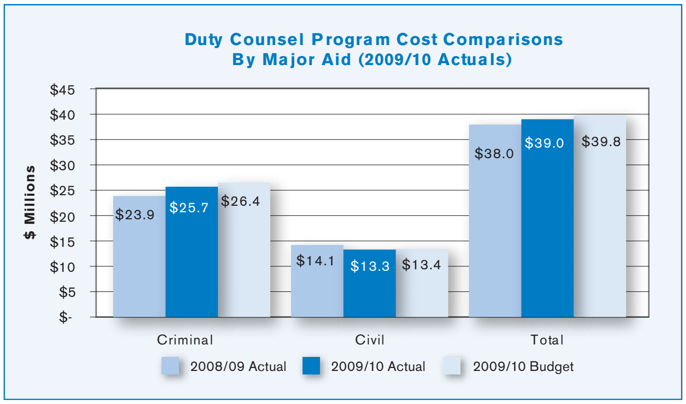
Below is a summary of the activities by duty counsel in February 2010.

Service Type	% Feb 2010
Adjournment	43.6
Judicial Interim Release Preparation	14.3
Act as Agent	11.6
Summary Advice	9.8
Negotiation	5.6
Judicial Interim Release Proceedings	5.4
Pre-Trial/Crown Resolution Meeting	3.6
Preparation for Guilty Plea	2.5
Guilty Plea/Speak to Sentence	3.6
Withdrawal of All Charges	0
Total	**100**

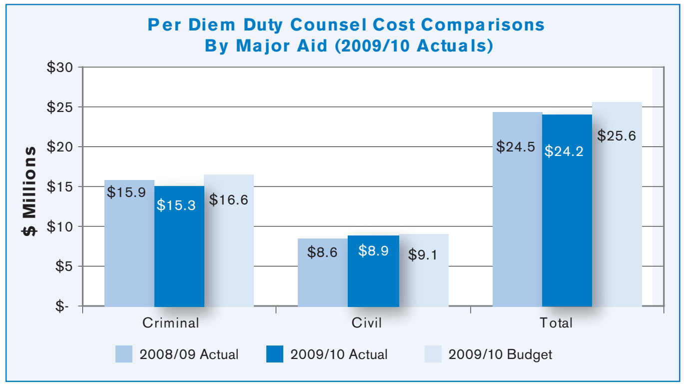
As we proceed with enhancing the role of duty counsel, LAO's expectation is that the percentage of adjournments will be reduced and the focus of duty counsel activities will result in more substantive outcomes for clients.

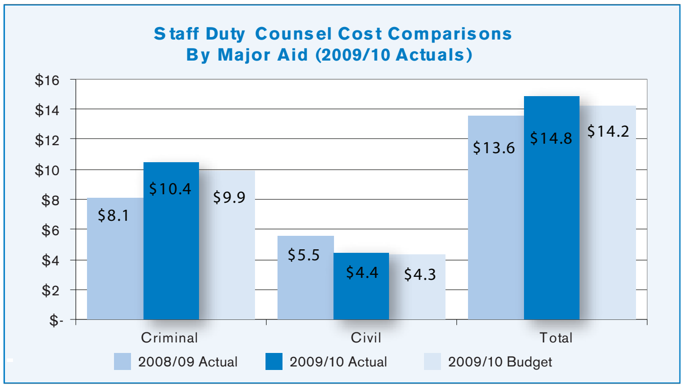
Total persons assisted has increased 0.3% compared to last year (Civil matters have increased by 8%, whereas criminal matters have decreased by 2%). The proportion of criminal and civil to total persons assisted is 78% and 22% respectively. This represents a 1% decrease in criminal assists and a corresponding increase in civil assists compared to last year.





Per diem duty counsel expenditures were under budget by $1.4 million for 2009/10, but were virtually unchanged from the previous year. Expenditures for staff duty counsel were over budget by $0.6 million, with expenditures increasing by 9%, or $1.2 million, over 2008/09.





Clinics

Community Legal Clinics

Legal Aid Ontario funds 79 independent community legal clinics to assist low-income people with issues such as income maintenance and landlord/tenant disputes. LAO manages the transfer payments to clinics and monitors and supervises legal aid services provided by clinics.

Spending on the clinic program for the year ended March 2010 was $671,000, or 1.03%, less than for the same period in 2008/09. Direct funding to clinics was down slightly from $57.6 million to $57.2 million. The clinic program was $1.7 million, or 2.5%, under budget for the year ended March 2010, due mostly to the recovery of clinic surpluses ($1.8 million more than budgeted), and under expenditures in the Clinic Information Management Project ($946,000 under budget).

Growth in Active Files at Community Clinics

The table at right outlines the active files and their growth over the past four years.

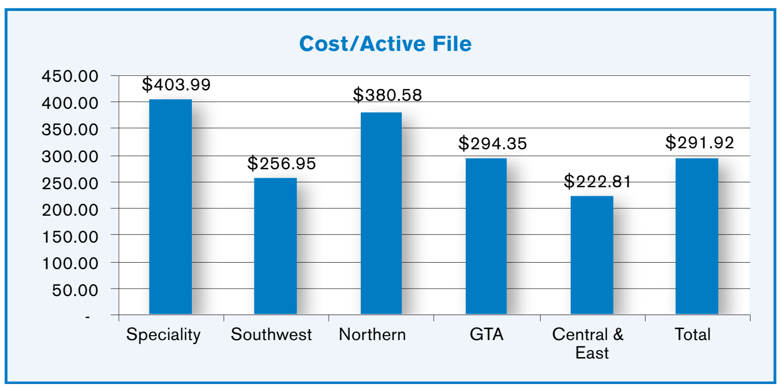
Over the past four years, there has been a 12% increase in the number of active files being managed by the clinics. Over that time period, the direct cost of running the clinics has increased by 18%.

Note: Data include categories such as Advice, Brief Services, Files Opened at Start and Files Opened During for Case Files, Outreach Community Development, Outreach Legal Reforms & Outreach Public Legal Educations

	2006/07	2007/08	2008/09	2009/10	% Change 2006/07 to 2009/10
Speciality	22,566	24,508	26,008	29,147	29%
Southwest	36,743	37,637	39,287	43,699	19%
Northern	16,324	14,931	15,943	16,718	2%
GTA	52,814	52,589	56,209	57,712	9%
Central & East	46,370	46,003	47,696	48,631	5%
Total	174,817	175,668	185,143	195,907	12%
Total Cost	48,293,284	55,225,400	57,628,083	57,188,937	18%
Cost/Active File	**$276**	**$314**	**$311**	**$292**	**6%**

Cost per Active File by Region

As the chart indicates there is great variation in the cost of active files in each region. Further analysis will be undertaken once the Clinic Management Information system has been developed. This will assist LAO and the clinics in developing a more thorough understanding of the cost implications and challenges in delivering clinics service in Ontario.



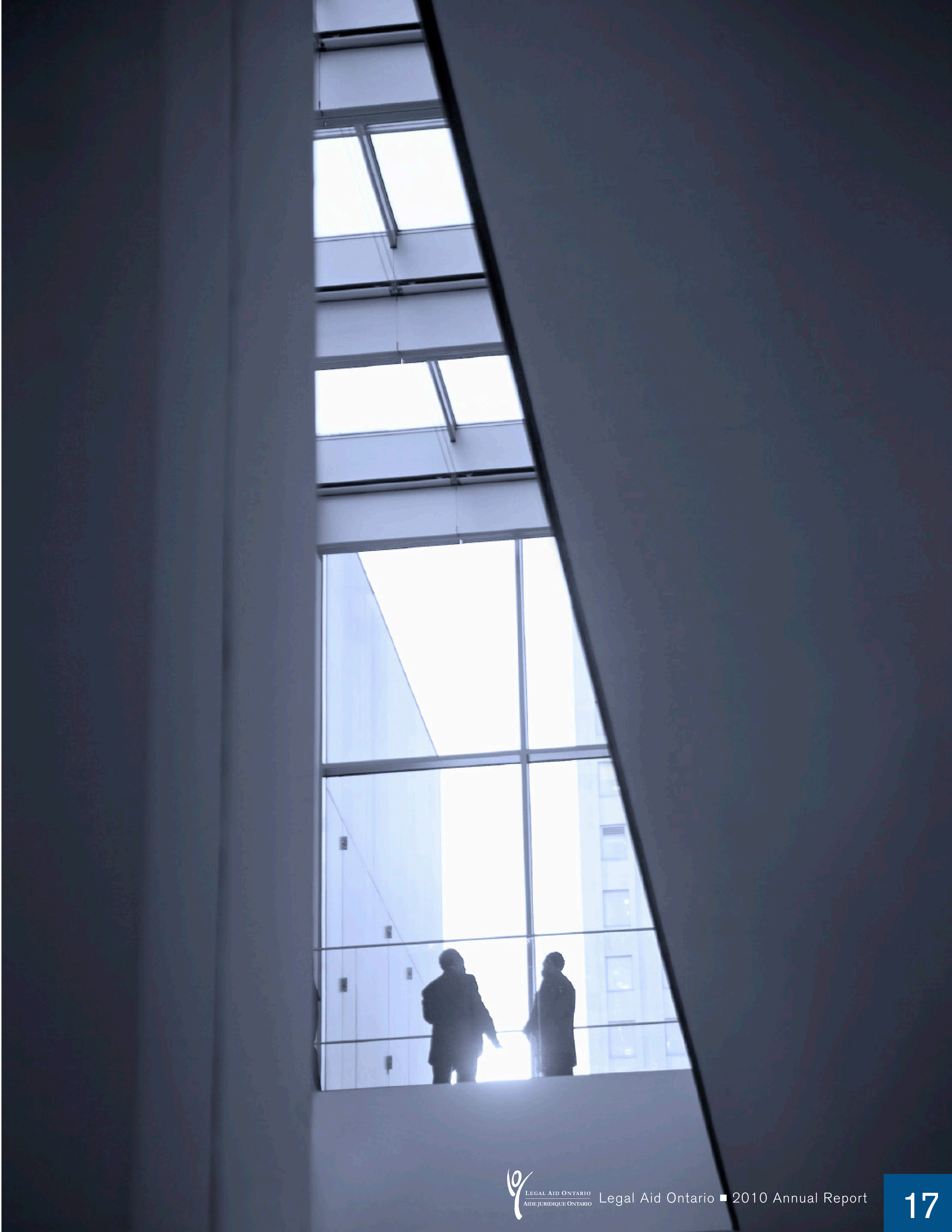
Student Legal Aid Services Societies

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, and workers' rights and tribunals, including the Ontario Human Rights Commission.

LAO provided $3.2 million in 2009/10 to the SLASS, unchanged from 2008/09.

Legal Aid Ontario
Aide juridique Ontario



Financial Statements

for the year ended March 31, 2010

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Management's Statement of Responsibility

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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

Robert W. Ward
President and
Chief Executive Officer
May 14, 2010

Michelle Séguin
Vice President and
Chief Administrative Officer
May 14, 2010

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, 2010 and the statements of operations and changes in net accumulated assets 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 14, 2010

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

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

Balance Sheet

For the year ended March 31

	2010 ($000's)	2009 ($000's)
ASSETS		
Current		
Cash and cash equivalents (Note 2)	$ **20,008**	$ 7,144
Accounts receivable (Note 3)	**24,774**	21,563
Prepaid expenses	**1,252**	1,197
Short-term investments (Note 4)	**12,059**	30,637
Short-term investments - contingency reserve (Notes 4 and 10)	**10,000**	20,000
	$ **68,093**	$ 80,541
Long-term client accounts receivable (Note 3)	**23,194**	20,024
Capital assets (Note 5)	**8,233**	10,920
	$ **99,520**	$ 111,485
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 96,199**	$ 86,022
Deferred capital contributions (Note 7)	**253**	485
Deferred revenue (Note 8)	**5,580**	-
Accrued pension benefit (Note 13)	**1,413**	1,257
	$ 103,445	$ 87,764
Net Assets		
Net accumulated deficit (Note 1(c))	**$ (21,905)**	$ (6,714)
Invested in capital assets (Note 9)	**7,980**	10,435
Contingency reserve (Notes 4 and 10)	**10,000**	20,000
	$ (3,925)	$ 23,721
	$ 99,520	$ 111,485

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

Statement of Operations

For the year ended March 31

		2010 ($000's)		2009 ($000's)
REVENUE				
Province of Ontario (Note 1(a))	$	**315,439**	$	285,811
The Law Foundation of Ontario		**4,837**		26,198
Client contributions		**21,880**		21,500
Judgments, costs and settlements		**264**		296
Investment and other income		**1,674**		3,289
	$	**344,094**	$	337,094
EXPENSES				
Core Business				
Certificate Program				
Criminal - Big Cases	$	**24,211**	$	22,823
Criminal - Others		**79,853**		80,172
Sub-total		**104,064**		102,995
Family		**51,801**		50,787
Immigration and refugee		**18,571**		17,711
Other civil		**6,044**		6,344
Settlement conferences		**155**		111
Sub-total		**180,635**		177,948
Area office services		**33,473**		25,574
Family law offices		**2,521**		2,518
Criminal law offices		**1,037**		1,194
Refugee law office		**1,166**		1,010
		218,832		208,244
Duty Counsel Program				
Duty counsel fees and disbursements		**38,184**		37,331
Expanded duty counsel		**814**		713
		38,998		38,044

continued

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

Statement of Operations continued

	2010	2009
Clinic Program and Special Services		
Clinic law services (Note 11)	**61,828**	62,527
Nishnawbe-Aski legal services corporation	**1,802**	1,791
Student legal aid societies	**3,217**	3,156
Clinic information management project	**40**	64
	66,887	67,538
Service Innovation Projects		
Other	**916**	810
	916	810
Service Provider Support		
Research facility	**2,077**	2,124
	2,077	2,124
Administrative and Other Costs		
Provincial office	**32,035**	28,569
Amortization expense	**3,793**	3,711
Bad debts	**8,202**	7,208
	44,030	39,488
	$ 371,740	$ 356,248
Deficiency of revenue over expenses for the year	**$ (27,646)**	(19,154)

Statement of Changes in Net Accumulated Assets

For the year ended March 31, 2010 with comparative figures for 2009

	Invested in capital assets	**Contingency reserve**	**Accumulated deficit**	**2010 Total($000's)**	2009 Total($000's)
	(Note 9)	(Note 10)	(Note 1(c))		
Net accumulated surplus, beginning of year	**$ 10,435**	**$ 20,000**	**$ (6,714)**	**$ 23,721**	$ 42,875
Deficiency of revenue over expenses	**(3,561)**	**-**	**(24,085)**	**(27,646)**	(19,154)
Investment in capital assets	**1,106**	**-**	**(1,106)**	**-**	-
Transfer to accumulated deficit	**-**	**(10,000)**	**10,000**	**-**	-
Net accumulated surplus/(deficit), end of year	**$ 7,980**	**$ 10,000**	**$ (21,905)**	**$ (3,925)**	$ 23,721

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

Statement of Cash Flows

For the year ended March 31

		2010 ($000's)		2009 ($000's)
Cash provided by (used in)				
OPERATING ACTIVITIES				
Deficiency of revenue over expenses for the year	**$**	**(27,646)**	$	(19,154)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:				
Amortization		**3,793**		3,711
Amortization of deferred contributions		**(232)**		(262)
Employer pension contributions		**(2,134)**		(1,862)
Pension expense		**2,291**		2,055
Loss on disposal of capital assets		**-**		66
Changes in non-cash working capital balances:				
Accounts receivable		**(3,211)**		1,644
Prepaid expenses		**(55)**		(316)
Accounts payable and accrued liabilities		**10,177**		8,192
Accrued interest on investments		**577**		615
Deferred revenue		**5,580**		-
Long-term client accounts receivable		**(3,170)**		(656)
	$	**(14,030)**	$	(5,967)
INVESTING ACTIVITIES				
Purchase of capital assets	**$**	**(1,106)**	$	(5,807)
Redemption of investments		**28,000**		10,000
	$	**26,894**	$	4,193
Net increase (decrease) in cash and cash equivalents during the year		**12,864**		(1,774)
Cash and cash equivalents, beginning of year		**7,144**		8,918
Cash and cash equivalents, end of year	**$**	**20,008**	$	7,144

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

Summary of significant Accounting Policies

For the year ended March 31

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

Summary of Significant Accounting Policies continued
For the year ended March 31

FINANCIAL INSTRUMENTS

The Corporation has designated all of its investments as Available for Sale 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 net accumulated surplus (deficit). Fair values for investments are valued at year-end quoted market prices.

The Corporation has designated client accounts receivable as loans and receivables and carries them at amortized cost using the effective interest rate method.

The Corporation has designated its cash and cash equivalents as Held-For-Trading and carries them at fair value. Accounts payable and accrued liabilities are designated as Other Liabilities and are also carried at fair value. The fair value of cash and cash equivalents, accounts payable and accrued liabilities approximate their face value due to the short-term nature of these accounts.

The Corporation has adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in accordance with the Accounting Standards Boards' decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained with Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

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 softwar	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 7 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. Significant estimates in the financial statements include the allowance for accounts receivable, accruals related to legal work performed but not yet billed and accrued pension benefits.

continued

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

CHANGE IN ACCOUNTING POLICIES

a.) The CICA Handbook Section 4400, Financial Statement Presentation by Not For Profit Organizations:
Recent amendments to Section 4400, Financial Statement Presentation by Not for Profit Organizations, will modify the requirement with respect to various elements of financial statement presentation. These amendments include:

(i) reporting certain revenue at its gross amount in the statement of operations;

(ii) the option to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and

(iii) when a not for profit organization classifies its expenses by function and allocates some of its general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from general support costs to other functions.

The new standard did not have a significant impact on the measurement or presentation of the financial statements.

b.) Effective April 1, 2009 the Corporation adopted the amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching the revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

Notes to Financial Statements

For the year ended March 31

1. 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. A new Memorandum of Understanding was signed on December 10, 2008. The agreement is effective for five years and expires on December 10, 2013.

(a) The Corporation is economically dependent on the Province of Ontario, and contributions received from the Province were allocated as follows:

	2010 ($000's)	2009 ($000's)
Contributions	**$ 315,207**	$ 285,549
Amortization of deferred contributions (Note 7)	**232**	262
	$ 315,439	$ 285,811

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2010 is an amount of $ 53.3 million (2009 - $50.1 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.

2. Cash and Cash Equivalents

The Corporation has an available line of credit in the amount of $5 million which remained unused as at March 31, 2010. The credit facility bears interest at the prime rate and is unsecured.

3. Accounts Receivable

	2010 ($000's)	2009 ($000's)
Client accounts receivable	**$ 84,737**	$ 80,233
Less: Allowance for doubtful accounts	**(48,181)**	(46,293)
Client accounts receivable (net)	**36,556**	33,940
Less: Long-term portion of client accounts receivable	**(23,194)**	(20,024)
Client accounts receivable - current	**13,362**	13,916
Due from The Law Foundation of Ontario	**587**	688
Other receivables	**10,825**	6,959
Current accounts receivable	**$ 24,774**	$ 21,563

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.

4. Investments

	2010 ($000's)		2009 ($000's)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Guaranteed investment certificates	**$ 22,000**	**$ 22,000**	$ 50,000	$ 50,000
Accrued interest	**59**	**59**	637	637
	$ 22,059	**$ 22,059**	$ 50,637	$ 50,637
Less: Contingency reserve				
- Short-term (Note 10)	**$ (10,000)**	**$ (10,000)**	$ (20,000)	$ (20,000)
Total	**$ 12,059**	**$ 12,059**	$ 30,637	$ 30,637

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2010 are in compliance with the statutory requirements. The Corporation earned total investment income of $0.6 million in 2010 (2009 - $1.9 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 $22.0 million (2009 - $50.0 million) invested in guaranteed investment certificates, bearing interest rates of 0.5% (2009 - from 0.6% to 3.0%) and maturing from September 2, 2010 to September 17, 2010 (2009 - September 3, 2009 to March 31, 2010).

(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.

5. Capital Assets

	2010 ($000's)		2009 ($000's)	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture and office equipment	**$ 998**	**$ 482**	$ 2,180	$ 1,555
Computer hardware and software	**16,196**	**14,982**	19,727	18,071
Custom-designed software	**84**	**45**	46	20
Enterprise-wide software	**15,628**	**12,672**	15,628	10,441
Leasehold improvements	**7,931**	**4,423**	7,376	3,950
	$ 40,837	**$ 32,604**	$ 44,957	$ 34,037
Net book value	**$ 8,233**		**$ 10,920**	

6. Accounts Payable and Accrued Liabilities

	2010 ($000's)	2009 ($000's)
Legal accounts - billings received but not paid	**$ 24,252**	$ 23,243
- work performed but not yet billed	**55,511**	55,688
Rent inducements	**1,762**	1,857
Trade and other payables	**13,886**	4,525
Vacation pay	**788**	709
	$ 96,199	$ 86,022

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 $55.5 million (2009 - $55.7 million).

7. Deferred Capital Contributions

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

	2010 ($000's)	2009 ($000's)
Balance, beginning of year	**$ 485**	$ 747
Amortization of deferred contributions (Note 1(a))	**(232)**	(262)
Balance, end of year	**$ 253**	$ 485

8. Deferred Revenue

The Corporation has received advance funds for future projects as follows:

	2010 ($000's)	2009 ($000's)
Law Foundation of Ontario	**$ 5,000**	$ -
Ministry of Attorney General	**580**	
Balance, end of year	**$ 5,580**	$ -

9. Changes in Net Assets Invested in Capital Assets

	2009 ($000's)	2010 ($000's)
Balance, beginning of year	**$ 10,435**	$ 8,143
Amortization	**(3,793)**	(3,711)
Amortization of deferred contributions	**232**	262
Purchase of capital assets	**1,106**	5,807
Loss on disposal of capital assets	**-**	(66)
Balance, end of year	**$ 7,980**	$ 10,435
Represented by		
Capital assets (Note 5)	**$ 8,233**	$ 10,920
Deferred capital contributions (Note 7)	**(253)**	(485)
	$ 7,980	$ 10,435

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.

On March 31 2010 the province approved a withdrawal of $10 million out of the contingency reserve fund to finance current operations. Due to financial constraints, the Corporation has no immediate plans to replenish the contingency reserve.

	2010 ($000's)	2009 ($000's)
Balance, beginning of year	**$ 20,000**	$ 20,000
Transfer to accumulated surplus	**(10,000)**	
Balance, end of year	**$ 10,000**	$ 20,000

Represented by	**2010 ($000's)**	2009 ($000's)
Investments - short-term (Note 4)	**$ 10,000**	$ 20,000
	$ 10,000	$ 20,000

11. Clinic Law Services

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

The total grant to community clinics consists of:

	2010 ($000's)	2009 ($000's)
Payments to and on behalf of clinics	**$ 60,020**	$ 60,646
Administrative costs	**1,808**	1,881
	$ 61,828	$ 62,527

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, 2010 management estimates that a potential $ 44.0 million (2009 - $47.0 million) could still be incurred on certificates issued on or before March 31, 2010 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)
2011	$ 2,312	$ 2,618	$ 4,930
2012	1,645	2,166	3,811
2013	1,318	1,898	3,216
2014	1,219	1,820	3,039
2015	1,184	1,791	2,975
Thereafter	3,627	5,852	9,479
	$ 11,305	$ 16,145	$ 27,450

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 $0.509 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 plan has effectively two plans, a defined contribution with a defined benefit component and supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 656 (2009 - 622) 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 $2.134 million (2009 - $1.862 million).

Defined Benefit Component

The defined benefit component of the plan covers 9 (2009 - 9) 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, 2010, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	7.25 %
Salary increases	4.00%
Expected rate of return on assets	6.00%

13. Pensions *(continued)*

The actuarial valuation for the year ended March 31, 2010, for accounting purposes was as follows:

	2010 ($000's)	2009 ($000's)
Accrued benefit obligation	$ 3,469	$ 2,633
Fair value of plan assets	3,003	2,472
Actuarial surplus (deficit)	(466)	(161)
Pension income	25	90
Pension accrued benefit asset	203	177
Pension contributions		
Employees	24	24
Corporation	111	131
Pension paid benefits	30	140

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 pension 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, 2010.

For the year ended March 31, 2010, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	6.00%
Inflation	3.00%

The actuarial valuation for accounting purposes for the year ended March 31, 2010 indicated the Corporation's pension expense for the year was $0.181 million (2009 - $0.283 million); the pension accrued benefit obligation as at March 31, 2010 was $0.593 million (2009 - $0.679 million); and the accrued benefit liability as at March 31, 2010 was $1.616 million (2009 - $1.434 million). During the year, the Corporation made no payments to the plan (2009 - $ 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 Discussion & Analysis

For the year ended March 31

This management discussion and analysis report is intended to assist readers 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.

This report should be read in conjunction with the audited financial statements for the Corporation for the year ended March 31 2010, prepared in accordance with Canadian generally accepted accounting principles, and the accompanying notes which form a part of those statements.

OVERVIEW

Legal Aid Ontario (LAO) is the public agency responsible for ensuring equitable access to justice for economically disadvantaged individuals throughout Ontario. LAO, established by statute in 1999, is an independent but publicly funded and accountable non-profit corporation administering the provincial legal aid program. Services are delivered by private lawyers acting on a "fee for service" basis, by community legal clinics funded by LAO, and through lawyers employed directly by LAO.

Individuals may receive services through LAO in a variety of ways depending on the legal situation they are dealing with:

- A legal aid certificate that allows clients to receive legal services from either a private lawyer or, in some cases, a lawyer employed by LAO;
- Duty counsel which are services provided in most courtrooms in the province using a combination of private lawyers and lawyers who are employees of LAO;
- Community legal clinics located in approximately 80 locations throughout the province and who provide assistance to clients in poverty law matters; or,
- Student Legal Aid Service Societies (SLASS), which are operated by each of the six Ontario universities who offer a law program.

As part of its modernization strategy, LAO consolidated its area offices operations into nine district offices during the past year. This was part of an overall initiative to shift work within LAO from administrative to a client service focus. In the past, a major function of the area offices was to receive and process applications and issue legal aid certificates to individuals who are legally and financially eligible. Due to the implementation of new methods which makes accessing legal services easier for clients, the number of offices needed to issue certificates was no longer required.

In particular, certificate applications can now be made online through a number of designated third parties such as lawyers and shelter workers for low-income applicants on behalf of LAO. In addition, a call center was implemented that allows clients to make requests for a certificate without the need to apply at an area office. All of the changes introduced are intended to streamline the process for clients while providing them with the appropriate level of services they require.

The provincial office continues to be located in Toronto.

Over the past several years LAO has been implementing a comprehensive corporate change process that will make LAO more efficient and responsive to the needs of its clients and to the interests of taxpayers. LAO's Quantum planning exercise was the beginning of that process. To that end LAO has developed a modernization strategy that responds to these needs and began implementing the plan in 2009/10.

In 2009/10 LAO was provided with $15 million, and will receive $30 million in 2010/11, $45 million in 2011/12 and $60 million in 2012/13. This new funding will enable LAO to increase services in family and clinic law, enhance Big Case Management, and assist in the implementation of block fees. Through this combination of modernization and new investment, LAO will improve access to justice, reduce administration costs, increase front-line services and assist in the reduction in court backlogs in both criminal and family law.

In the fall of 2009, in order to ensure that LAO's investments and modernization strategy were aligned with the legal needs of low-income Ontarians, LAO sought input of stakeholders through a series of legal aid advisory committees established by the Attorney General. The mandate of the committees was to act as a forum for members to provide input and advice regarding specific issues that need to be addressed in the transformation of the legal aid system. There were five advisory committees in the following areas: family law, poverty law, refugee and immigration, standard criminal law and major criminal law. The advice of the committees was incorporated into the investment plans for the provincial funding.

Financial Statements for the year ended March 31 2010

Bank of Canada rate reductions had a direct impact on Law Foundation of Ontario (LFO) revenues reducing LAO's share of LFO revenues from a high of $56 million in 2007/08 to $4.8 million in 2009/10. This $50 million drop in LFO revenues required LAO to amend its 2009/10 business plan to speed up LAO's modernization strategy in order to find $40 million in savings to balance LAO's budget by 2012/13.

The following provides an overview of the Financial Statements for the year ended March 31, 2010 and explains significant variances from the 2008/09 fiscal year.

Statement of Operations

Legal Aid Ontario incurred a deficit of $27.6 million for 2009/10 an increase of $8.4 million over 2008/09.

Revenues

Revenues in 2009/10 were $344.1 million, $7 million more than revenues of $337.1 million in 2008/09. Additional revenues from the province of $29.6 million (from $285.8 million in 2008/09 to $315.4 million in 2009/10) include:

- **New Investment Funding** - $15 million;
- **Additional Transfer Payment** - $10 million (required to be set aside in the Contingency Reserve Fund, hence the balance in the fund of $10 million);
- **Additional Federal Funding for Refugee services** - $3.2 million.

As a result of a dramatic decrease in Bank of Canada rates to 0.25%, Law Foundation revenues dropped by $21 million, from $26.2 million in 2008/09 to $4.8 million in 2009/10.

Expenditures

Total operating expenses for the 2009/10 were $371.7 million, $15.4 million higher than 2008/09 mostly due to:

- Certificate Costs: $2.7 million increase (from $177.9 million in 2008/09 to $180.6 million in 2009/10). The certificate costs increase can be attributed to increases in family certificate expenditures in the 2009/10 fiscal for certificates issued in the 2008/09 fiscal year and an increase in the Big Case program of $1.4 million;
- Area Office Services: $7.9 million increase (from $25.6 million in 2008/09 to $33.5 million in 2009/10) as a result of transition costs due to modernization of area offices;
- Provincial Office costs: $3.4 million increase (from $28.6 million in 2008/09 to $32.0 million in 2009/10). Transition costs of $2 million were incurred in provincial office departments as a result of the elimination of positions and increase of $1.4 million to establish the Client Service Centre.
- Bad debts: increased by $1 million (from $7.2 million in 2008/09 to $8.2 million in 2009/10).

Balance Sheet

Total Assets: Decreased from $111.5 million in 2008/09 to $99.5 million in 2009/10, or $12.0 million, as a result of a decrease in cash and investments position of $15.7 million, from $57.7 million to $42 million, which is primarily attributable to the $27.6 million operating deficiency of revenue over expenses.

LAO's cash position did not decrease by the entire $27.6 million operating deficit because about $10 million of transition costs, though accrued as an expense, have not been paid by March 31, 2010.

As a result, there is an increase in Accounts Payable and Accrued Liabilities of $10.2 million, from $86.0 million to $96.2 million.

Deferred Revenue of $5.5 million is primarily due to an advance in funds from the Law Foundation of Ontario of $5 million which was used to assist LAO's cash position. This is repayable to LFO when Legal Aid Ontario's LFO revenues exceed $20 million.

The net result is a deficiency of revenue over expenses for the year ending March 31, 2010 of $27.6 million. This was offset by a transfer from the Contingency Reserve Fund of $10 million and the decrease in invested in capital assets of $3.9 Million. When added to the March 31, 2009 accumulated deficit of $6.7 million, LAO has an accumulated deficit of $21.9 million as of March 31, 2010.

LAO has plans to balance its budget by 2012/13. These plans and the forecasted increase in Law Foundation of Ontario revenues in the next few years will enable LAO to bring its Net Assets position into a balanced position. The 2010/11 and amended business plan includes a Law Foundation Revenue Policy Framework that will ensure that LAO can return to a positive financial position while providing a contingency against fluctuations in Law Foundation revenues.

PROPOSED POLICY CHANGE

A proposal to change LAO's accounting policy regarding the disclosure of "Invested in Capital Assets" was brought to the March 25th Audit and Finance Committee for consideration. The committee deferred this item. A further discussion about the options available will be brought for consideration to the committee in the fall. As a result, the March 31, 2010 Financial Statements do not reflect any changes to the disclosure of "Invested in Capital Assets".

REVENUES

Province of Ontario

The Ontario Government announced a new investment of $150 million for LAO over the next four years with $15.0 million in 2009/10.

Additional revenues were received from the province totaling $29.6 million (from $285.8 million in 2008/09 to $315.4 million in 2009/10) including:

- New Investment Funding - $15 million;
- Additional Transfer Payment - $10 million (required to set aside in the Contingency Reserve Fund, hence the balance in the fund of $10 million);
- Additional Federal Funding for Refugee services – $3.2 million.

Law Foundation of Ontario

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

LAO's 2009/10 budget estimated that LFO revenues would be close to zero due to continuing economic conditions; minimum fixed rates of return by the Law Foundation has resulted in actual revenues received of $4.8 million.

Client Contributions

LAO has a repayment arrangement for individuals 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 the cost of the services provided on their behalf by solicitors who are paid by LAO. These agreements may include monthly payment arrangements and/or liens on property.

Historically, a proportion of all clients receiving certificates will enter into a repayment or contribution agreement. This source of revenue is positively correlated to certificate increases. That is, as the cost of the certificate program increases, client contribution revenues also generally increase proportionately.

In 2009/10 certificate costs increased by $15.2 million compared to 2007/08 which generated an additional $2.5 million (16.5%) in revenue from client contributions.

EXPENSES

Total expenses increased to $ 15.5 million for fiscal 2009/10, an increase of 4.4% compared to 2008/09 The majority of the total increase, approximately $ 11.0 million, was directly related to client service expenditures.

Certificate Program

Certificates Issued

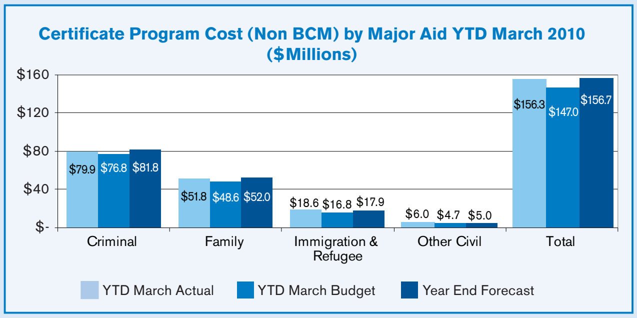
Certificates issued in 2009/10 totalled 108,799 compared to a target for the year of 108,571 a difference of 228 certificates or 0.2%. The following is the number of certificates issued by category during the year compared to target:

	Criminal	Family	Immigration and Refugee	Other Civil	Total
Actual	62,991	27,487	12,902	5,419	108,799
Target	63,456	27,894	11,768	5,453	108,571
Difference	465	407	-1,134	34	-228
% Difference	0.73	1.46	-9.64	0.62	-0.21

Certificate Expenditures

Total certificate expenditures in 2009/10 amounted to $180 million, an increase of $2.6 million or 1.5% 2008/09 with increases occurring in all major aid categories.

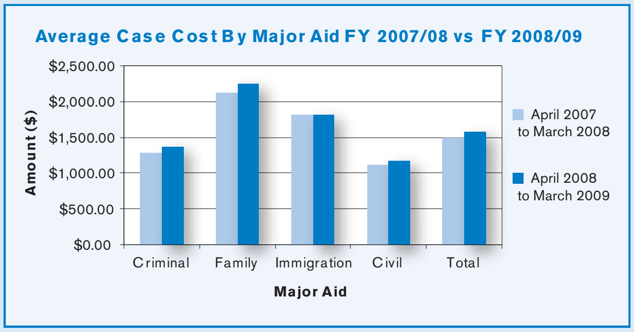
Changes in year-over-year expenditures for the certificate program were as follows:



			Change	
($000s)	YTD March 2010	YTD March 2009	$	%
Criminal	$ 79,852,958	$ 80,077,608	224,6500	0%
Family	$ 51,800,595	$ 50,754,913	(1,045,682)	(2%)
Immigration	$ 18,571,223	$ 17,700,714	(870,508)	(5%)
Civil	$ 6,043,479	$ 6,339,078	295,600	5%
Total	$ 156,268,255	$ 154,872,314	(1,395,940)	(1%)

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

The following chart depicts the average certificate case cost by major aid on a twelve month rolling average.



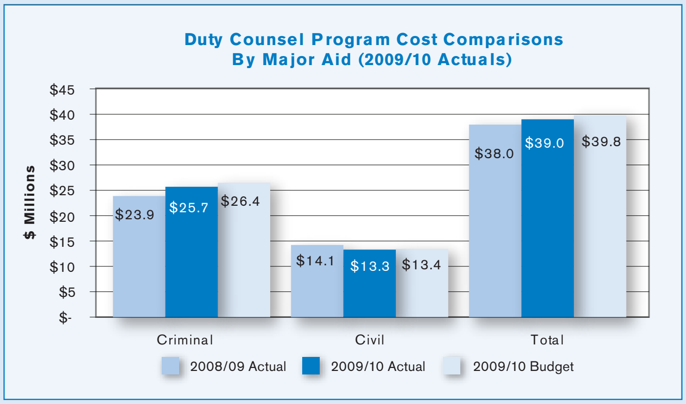
Between 2009/10 and 2008/09, the overall average case cost increased to $1,607 from $1,575.

Average case cost increased in the range of 4% to 6% in the majority of aid categories and generally this can be attributed to the tariff increase. The exception is in Immigration/Refuges where average cost has remained relatively stable. This is likely the result of a backlog of refugee claims to be heard before the Refugee Protection Division of the Immigration and Refugee Board, which has delayed the completion of cases. The remainder of the overall increase in certificate expenditures was related to the increased number of certificates issued.

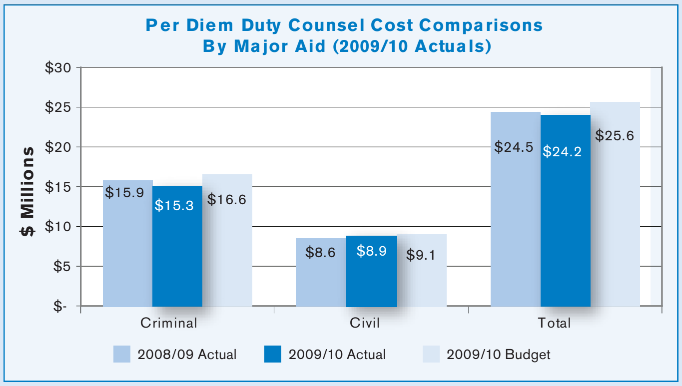
The cost of Big Cases increased by approximately $2.0 million or 9.7% compared to last year. Big Case costs are difficult to predict due to the nature of the cases involved, however, LAO will be conducting a study in the next year to improve its ability to forecast these types of expenditures.

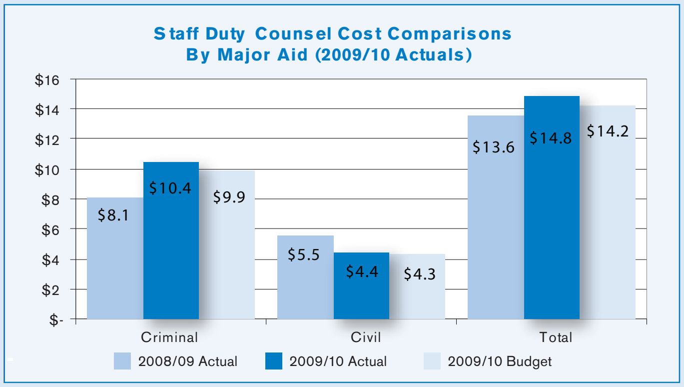
Duty Counsel

Duty counsel services are provided either by in-house staff or 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.



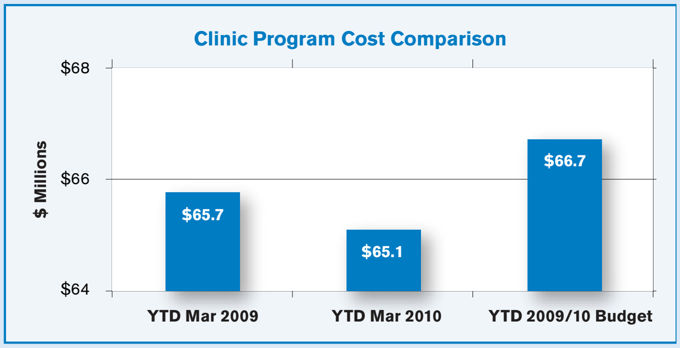


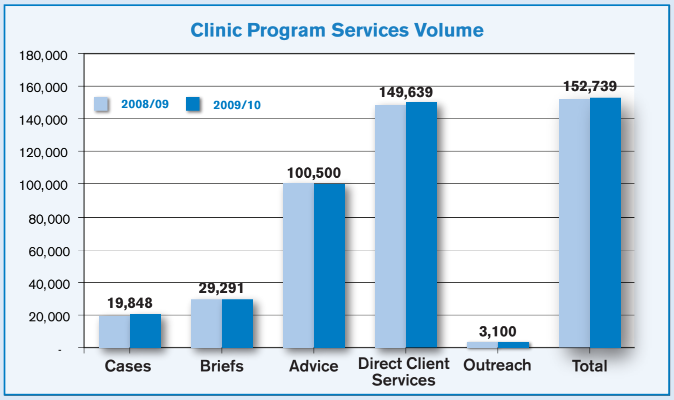
Per diem duty counsel expenditures were under budget by $1.4 million for 2009/10, but were virtually unchanged from the previous year. Expenditures for staff duty counsel were over budget by $0.6 million, with expenditures increasing by 9%, or $1.2 million, over 2008/09.

Community Legal Clinics

Legal Aid Ontario funds 79 independent community legal clinics, which assist low-income people with issues such as income maintenance and landlord/tenant disputes. LAO manages the transfer payments to clinics and monitors and supervises legal aid services provided by clinics.

Spending on the clinic program for the year ended March 2010 was $675,000, or 1.03%, less than for the same period in 2008/09.





Services provided by clinics increased approximately 6% in 2009/10 compared to last year. The increase was generally attributable to advice services, which represent the largest type of service provided by clinics.

Administrative and Other Costs

Total administrative and other costs increased $4.5 million in 2009/10 compared to 2008/09. These expenses include amortization and bad debt expense as well as general administrative and transition costs.

General administrative expenses include salaries and benefits for all provincial office staff as well as centralized corporate costs such as consulting fees, office supplies, equipment leases, consulting fees and computer related expenses. The increase in these costs year-over-year was approximately $3.5 million.

Bad debt expense is associated with client contribution agreements that are considered uncollectible. Between 2008/09 and 2009/10 bad debt expense increased by $994 thousand. As a result of further analysis and clean-up of overdue accounts.

RISKS

The following is a discussion of risk and uncertainties affecting LAO. This is not meant to be an exhaustive list of all the risks LAO is exposed to nor will the mitigation strategies noted eliminate all risks listed.

Economic

The economy has a dramatic effect on operating results for LAO. This is clearly apparent by the loss of Law Foundation revenues; a direct result of the economic downturn. Recognizing that demands for services will fluctuate, LAO was legislatively provided with the ability to accumulate a contingency reserve of up to $20 million for this purpose. To the extent possible, these funds will be used as a bridging strategy to offset operating deficits until revenues return to more normal levels. In the future, LAO will be developing a long term strategy that treats Law Foundation revenues as a variable source of income and expenditure plans that are aligned to the timing of these earnings.

Historically, growth in the demand for legal aid services has an inverse relationship to the economic health of the province. With the increases in unemployment and poor economic performance in Ontario, it is anticipated that this will increase pressures on the services provided by LAO, particularly in the areas of clinic and family law. The effect is not seen immediately as it takes time for the impact to be realized but eventually this creates cost pressures.

LAO continues to make changes to the way it delivers services so that they are as effective and efficient as possible in order to provide an optimum level of services and value for taxpayers. A number of efforts to support this objective are underway including a Simplified Online Application Process (SOAP) and a simplified financial eligibility project. These innovations will result in a more efficient administrative process while improving client interaction with LAO.

Government Priorities

Priorities set by the provincial government have an impact on the services that LAO provides, and the way in which we provide them. LAO works with the provincial government to meet shared objectives and to increase justice system efficiency. The following provincial initiatives will directly affect Legal Aid Ontario, including Justice on Target, the Poverty Reduction Strategy, the Aboriginal Strategy, and the increase in government oversight and agency accountability. LAO will

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

ensure that its strategies complement the needs of the province.

Lawyer Recruitment and Retention

Legal aid is premised on a public-private partnership in which the private bar is relied upon to deliver the majority of legal aid services across the province.

Retaining legal counsel to provide services for clients continues to be a major challenge for LAO. Demographics suggest that the number of new lawyers willing to accept legal aid clients continues to decline and in certain practice areas like family law, the number of lawyers accepting certificates has fallen.

LAO is still generally able to ensure that experienced, high-quality counsel accept legal aid certificates for most legal aid matters in most parts of the province. LAO's long-term trend analysis suggests, however, that the number of lawyers participating in legal aid has decreased. This downward trend has coincided with an increase in the number of lawyers practicing law in Ontario. As law school tuition rates and student debt-loads increase, it is reasonable to expect that fewer students will be practicing family, criminal or refugee law or doing legal aid work. Instead they will be attracted to higher paying types of legal work.

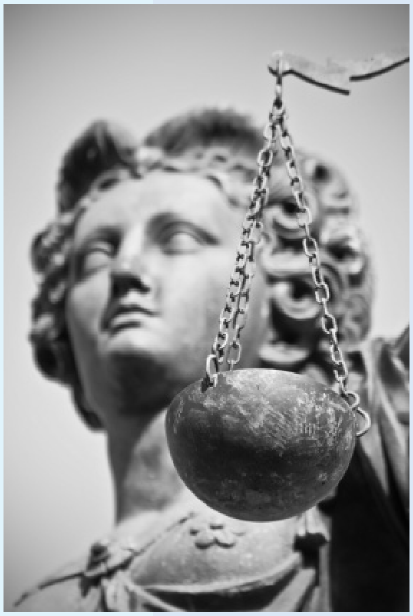
In response to this, LAO has developed a Lawyer Workforce Strategy. This is a corporate talent management system focusing on the recruitment, development and retention of lawyers designed to reposition LAO as a desirable employer in an aggressive future labour market. By implementing these strategies, LAO will be able to attract and retain quality legal staff and develop management expertise.

OUTLOOK

The current economic downturn requires LAO to accelerate its efforts to provide improved and more responsive services through innovative and efficient operations. This will permit LAO to operate within the financial resources available to it. LAO is committed to dealing with staff and stakeholders in an open and candid manner during this process of change.

Future plans at LAO include the provision of multiple services through a variety of channels, using technology such as web-based tools, specifically tailored to clients' needs. In addition, LAO is actively working with the provincial government to make the court system more efficient.

LAO is building on solid foundation of sound management principles; part of the Value Agenda initiative launched two years ago. LAO remains committed to its goals of better client service, value for taxpayers and of achieving Justice on Target reforms.



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Ce document est disponible en français.

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

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

For further information:

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