

LEGAL AID ONTARIO
2020 - 2021
**ANNUAL
REPORT**



LEGAL AID ONTARIO

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Table of contents

Letter to the minister.....	3
Leadership messages	4
About LAO	7
Year in review	17
Key performance indicators (KPI).....	21
Audit and compliance services	29
Management discussion and analysis.....	32
Audited financial statements 2020-21	40

Legal Aid Ontario

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

Toll-free: 1-800-668-8258

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, the Law Foundation of Ontario, and
the Government of Canada.



September 10, 2021

The Honourable Doug Downey
Attorney General of Ontario
720 Bay Street, 11th floor
Toronto, Ontario M7A 2S9

Dear Minister,

Please accept, in accordance with Section 72 of the *Legal Aid Services Act*, 1998, Legal Aid Ontario's annual report for the year ended March 31, 2021.

We value the ministry and the Government of Ontario's funding support of Legal Aid Ontario services for low-income Ontarians.

Sincerely,

A handwritten signature in blue ink, which appears to read 'Charles Harnick', is positioned below the word 'Sincerely,'.

Charles Harnick
Chair, Legal Aid Ontario Board of Directors

LEADERSHIP MESSAGES

Message from the chair

The fiscal year 2020-21 was a difficult one for Legal Aid Ontario (LAO) and our clients. Our fiscal year began on April 1, 2020, a few weeks after the initial stay-at-home order that marked the first wave of the COVID-19 pandemic. Mere days into the start of this fiscal year, the courthouses in Ontario were largely closed—and stayed closed for the next 12 months.

Consequently, everything about the justice system changed overnight. Legal matters were now handled virtually. Everyone at LAO had to pivot to help clients remotely. The effort to make this happen by LAO's staff, private bar lawyers, community legal clinic staff—and the justice system as a whole—was a staggering achievement.

With the pandemic also came concerns about how to assist our clients in troubling times. How do we help people get out of remand faster? How do we help people with mental health and addiction issues, or people in immigration detention, or people facing domestic violence in the midst of a stay-at-home order? To this end, LAO temporarily changed eligibility requirements or adjusted our business models to assist as many people as possible.

In the middle of all this, LAO began the important work of drafting the rules to implement the *Legal Aid Services Act, 2020*. We also published the final report of the Racialized Communities Strategy and a Racialized Communities Action Plan, and completed the first part of a consultation report of the Aboriginal Justice Strategy which was later published in June 2021. All these efforts are still ongoing, but they will be important to LAO's future work.

Finally, I have been fortunate to have the opportunity to meet with many of our clients, stakeholders and service providers at LAO's consultations this past year. I am grateful to them for their insight and for their commitment to helping those most in need in our province.

I am grateful to our CEO, David Field, LAO's board members and committee volunteers for their hard work and diligence. I also want to thank LAO's staff, who went above and beyond this year to assist our clients

This has been an extraordinary year, full of extraordinary changes. There will be more changes to come, but I am confident in LAO's ability to meet the challenges ahead to help low-income Ontarians receive the legal assistance they require.

Sincerely,



Charles Harnick, Q.C., L.S.M
Chair, LAO Board of Directors

Message from the CEO

On a weekend in March 2020 during the first wave of the COVID-19 pandemic, Legal Aid Ontario (LAO) began to work remotely.

The 2020-21 fiscal year was a testament to the hard work of LAO's staff and board, as well as private bar lawyers and community legal clinics. I want to thank everyone for their dedication to this important work during this difficult time.

In July 2020, the *Legal Aid Services Act, 2020* was passed by the Ontario legislature and is currently awaiting proclamation. The new act will give LAO the opportunity to modernize both legal aid services and how we deliver those services. We are grateful to the Attorney General, Doug Downey, and the Ministry of the Attorney General, for their work in supporting the new act, and for their support of LAO.

During 2020-21, rules were drafted to guide and support the implementation of the new law. This required a tremendous amount of work on the part of many people at LAO.

LAO immediately felt the impact of the pandemic when a steep reduction in interest rates meant a corresponding reduction of revenue from the Law Foundation of Ontario. While LAO was able to maintain services during the year without additional support from the province and the federal government, the impact of interest rate reductions will continue to affect LAO over the next several years. In the coming months, LAO will continue to work with the Ministry to ensure that our client needs will be met in the future.

I want to thank LAO's management team, the board (largely comprised of new members who began this year), and its chair, Charles Harnick, for their vision and guidance throughout so much uncertainty. Over the past year, I have been reminded repeatedly of the talent and dedication of LAO's staff. I want to express my gratitude to everyone for all their efforts.

LAO will continue to respond to the needs of our clients. If this year has taught us anything, it is that when challenges look insurmountable, our commitment to our mandate and purpose to provide legal assistance to the most vulnerable in Ontario will see us through hard times.



David Field
President & CEO, LAO

ABOUT LAO

Services

Legal Aid Ontario (LAO) offers a range of legal services, from summary legal advice to full representation. Services are delivered by staff lawyers or private bar lawyers contracted by LAO.

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

- family law
- refugee and immigration law
- criminal law
- poverty law
- mental health law

In court

Duty counsel are lawyers who can quickly assess a client's legal problems and provide advice, information and representation to someone who would otherwise be unrepresented and unassisted in the courtroom.

Over the phone

Toll-free services include information, referrals, summary legal advice, and the taking of legal aid applications.

Representation by a private lawyer

Financially eligible clients with legal matters covered by LAO may be able to apply for a certificate, which is like a voucher that covers the cost of a lawyer for a certain number of hours.

Community legal clinics

LAO funds 59 general service legal clinics and 13 specialty clinics across the province, at \$64.8 million and \$15.0 million respectively. General service clinics provide legal services to help low-income people and communities meet basic needs such as a source of income, a home and human rights. Specialty clinics focus on specific areas of law, serving as a resource for other clinics and/or helping clients who are marginalized (e.g., seniors, people living with HIV/AIDS, the Black community).

Student Legal Aid Services Societies (SLASS)

LAO also funds SLASS operating out of seven of Ontario's eight law schools. Full-time lawyers supervise volunteer law students who provide legal advice and representation to clients with landlord and tenant issues, immigration cases, minor criminal matters, etc.

Board of Directors

Over the last year, we welcomed new directors to [our board](#). LAO's board of directors totals 11 members who have a variety of subject matter specialties.

Name	Position	Term start date	Term end date	Remuneration / expenses paid in 2020-2021
Charles Harnick	Chair	April 2019	April 2022	\$149,999.98
Jennifer Gold	Current member	Dec. 2020	Dec. 2022	No remuneration/ expenses paid.
Judy Mintz	Current member	March 2020	March 2023	\$10,125.00
Deborah Moriah	Current member	Jan. 2021	Jan. 2023	No remuneration/ expenses paid.
Bryn Gray	Current member	Jan. 2021	Jan. 2023	No remuneration/ expenses paid.
John Callaghan	Current member	Jan. 2021	Jan. 2023	No remuneration/ expenses paid.
Malcolm Heins	Current member	June 2019	June 2024	\$11,063.00
Julia Bailey	Current member	April 2021	April 2023	No remuneration/ expenses paid.
Peter Johnson	Current member	Jan. 2021	Jan. 2023	No remuneration/ expenses paid.
Christopher Uwagboe	Current member	April 2021	April 2023	No remuneration/ expenses paid.
David Wexler	Former member	June 2019	June 2021	\$4,875.00
Peter Owsiany	Former member	Dec. 2018	Dec. 2020	\$6,000.00

Name	Position	Term start date	Term end date	Remuneration / expenses paid in 2020-2021
Ann Marie Yantz	Former member	March 2017	March 2019	\$2,437.50
Christa Freiler	Former member	July 2015	July 2020	\$5,812.50
Michel Robillard	Former member	July 2015	July 2020	\$4,125.00
Sean Robichaud	Former member	Dec. 2018	Dec. 2020	\$5,062.50
David Field	President & CEO / Ex officio Board member	Jan. 2016	N/A	N/A

Board governance

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

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

Each committee has a charter setting out its mandate, with the chair responsible for reporting to the full board of directors. The committee membership is:

Audit and Finance

- Jennifer Gold (Chair)
- John Callaghan (Vice Chair)
- Malcolm Heins
- Judy Mintz
- Julia Bailey
- Charles Harnick, non-voting member
- David Field, ex-officio non-voting member

Human Resources

- Charles Harnick (Acting Chair)
- Judy Mintz
- Peter Johnson
- Deborah Moriah
- David Field, ex-officio non-voting member

Operations Committee

- Malcolm Heins (Chair)
- Deborah Moriah
- Peter Johnson
- Bryn Gray
- Christopher Uwagboe
- Charles Harnick, non-voting member
- David Field, ex-officio non-voting member

Nominating and Governance Committee

- Chair – Board Chair
- Membership – full Board of Directors

Committees

Advisory committees

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

- clinic law
- criminal law
- family law
- French language services
- immigration and refugee law
- Indigenous issues
- mental health law
- prison law
- racialized communities

Area committees

Nine area committees made up of approximately 300 people, including lawyers and community representatives, hear appeals related to decisions regarding client eligibility for legal aid certificates.

Test case committee

This committee makes decisions about group and individual applications for:

- legal aid for representation at coroners' inquests
- test cases involving the Charter of Rights and Freedoms
- funding
- research support
- staff lawyer support
- mentoring

Decisions are based on the strengths and weaknesses of the legal matter and the potential impact on low-income Ontarians.

Exceptions committee

Experienced criminal lawyers comprise this committee, which makes budget recommendations for complex criminal cases that are anticipated to cost more than \$75,000, or difficult to estimate.

Core client strategies

LAO's core client strategies address unmet legal needs of clients who are overrepresented and unequally treated in the justice system.

LAO works to improve access to justice through the following strategies:

- Aboriginal Justice Strategy
- Racialized Clients Strategy
- Domestic Violence Strategy
- Mental Health Strategy
- Prison Law Strategy (incarcerated clients)
- Bail Strategy (clients in custody awaiting a bail hearing or trial)

These strategies have enabled LAO to:

- understand the legal needs of these client groups
- implement and fund services and initiatives to meet unmet needs
- promote systemic improvements to the justice system through stakeholder partnerships and active involvement in provincial and federal initiatives

Learn more about each strategy at www.legalaid.on.ca.

2020-21 accomplishments

COVID-19 certificate enhancements

LAO developed 19 certificate enhancements throughout the COVID-19 pandemic to help vulnerable clients access legal services.

Second Chair program

LAO implemented a pilot project to expand the Second Chair program to create mentorship

opportunities for racialized and Indigenous lawyers and for lawyers from other equity-seeking groups.

Immigration Detention Representation program

LAO launched its Immigration Detention Representation program, a one-year pilot uses a mix of staff services and refugee panel lawyers to provide counsel to all unrepresented immigration detainees.

Aboriginal Justice Strategy report

After thoughtful and thorough consultation with Indigenous stakeholders, the Aboriginal Justice Strategy released the first part of its consultation report on LAO's effectiveness in delivering legal aid services to Indigenous clients in Ontario.

Improved data collection

LAO continued to collect and analyze data to better understand the impact of Indigeneity and race on client outcomes, with a focus on bail.

LAO is involved in three projects:

- *The Anti-Racism Act* project
- The Anti-Racism Action Program
- The Law Foundation of Ontario project

Submissions on family and child protection law issues

LAO presented its position on family law issues, including:

- a position paper to respond to the Law Society of Ontario's consultation paper on the expanded use of paralegals in family law
- a submission to the Ministry of the Attorney General (MAG) relating to amendments proposed to the definition of "child" in the *Children's Law Reform Act*, in response to its call for input
- a submission to MAG providing LAO's feedback on a proposal to implement the 2007 Hague Convention on the International Recovery of Child Support and Other Forms of Family Maintenance
- a submission to MAG providing LAO's feedback on remote notarization services

Modernization

The mandate of LAO's Modernization strategy is to advance access to justice, improve outcomes for legal aid clients and preserve the sustainability, viability and relevancy of the legal aid system by:

- implementing service, delivery and process and system reforms
- developing and providing high quality client-focused and client-centric programs, services and information

Modernization will parlay the rapid adoption and implementation of technology and digital services throughout the justice system resulting from the pandemic. It will build on:

- LAO's 2019-24 strategic plan and the 2018 Auditor General of Ontario's Annual Report recommendations
- the new *Legal Aid Services Act, 2020 (LASA 2020)*
- LAO's digital strategy
- recommendations and proposals received through LAO's various town halls, consultations and surveys and internal service design teams

Modernization outcomes include:

- improving the client experience to ensure every transaction is meaningful and necessary
- adopting a digital-by-default service standard, while recognizing the need for in-person services when and where required
- turning LAO into a 24/7 access to justice centre
- reducing/eliminating unproductive, outdated, and redundant policies, processes, and requirements
- aligning LAO's business practices and service provider relationships with public sector norms and in a framework of appropriate governance and accountability

There are several multi-year projects within the Modernization portfolio including:

- implementing the new *LASA, 2020*
- expanding the functionality of the client portal to provide more digital self-serve options including an online application to allow clients to apply for legal aid services electronically

- establishing new agreements and contracts with clinics and other entity service providers
- modernizing LAO's tariff
- redesigning the lawyer billing portal
- collecting, analyzing and reporting on data related to race and bail outcomes

Equity, diversity and inclusion (EDI)

LAO values the diversity of its staff, stakeholders, and clients across Ontario. The EDI initiative was established in 2019-20 to guide LAO's efforts to foster an inclusive and diverse workplace that reflects the people, cultures and languages of the communities we serve.

2020-21 accomplishments

EDI multi-year strategic plan

LAO developed a multi-year strategic plan to guide actions and initiatives to foster a diverse and inclusive work environment. The plan—developed in consultation with an internal EDI Committee—embraces the five EDI foundational priorities outlined in LAO's strategic business plan.

Three mandatory training programs

- Unconscious bias training
- Micro-aggressions training
- Accessible documents and communications training

Diversity demographic and inclusion survey

At the beginning of the year, LAO conducted its first diversity demographic and inclusion survey with the Canadian Centre for Diversity and Inclusion. The outcome of this survey provided a snapshot of our workforce through demographic representation and feelings of inclusion. LAO will review and update the EDI multi-year strategic plan each fiscal year.

YEAR IN REVIEW

Q1

Q1 April - June 2020

April 2020

The first quarter was focused on the shift to a fully remote workforce while continuing to provide the high-quality legal services and support LAO's clients need and expect.

LAO introduced measures to reduce barriers to access and delivery of legal services, particularly for those faced with legal and personal safety issues as a result of the pandemic.

As clients are redirected to virtual services and with the gradual reopening of the economy, LAO experienced an increase in call volume. This trend steadily continued throughout the first quarter.

Read [LAO update: spring 2020 edition](#) for more information on developments at LAO between April through June 2020.

Q2

Q2 July - September 2020

July 2020

LAO remained focused on supporting its remote workforce while expanding services to support our clients and the staff and panel lawyers that serve them.

Starting in March, LAO introduced temporary services to support clients and service providers during the pandemic. LAO began providing counsel assistance with matters before Superior Court of Justice's virtual practice court to help address court backlogs that resulted from the province-wide shutdowns in the spring.

In the fall, LAO ran a short survey to help understand how the COVID-19 pandemic has affected staff.

Read [LAO update: summer 2020 edition](#) for more information on developments at LAO between July through September 2020.

Q3

Q3 October
- December 2020

October 2020

LAO welcomed new board members, each bringing a wealth of professional skill and personal experience.

LAO expanded many services because of the pandemic addressing the challenges of working remotely and responding to evolving needs of applicants during this time. New services included:

- [Immigration detention representation enhancements](#)
- [Assist lawyers, clients with matters before SCJ's 361 University Ave. virtual practice court in Toronto](#)
- [Accept verbal consent and declaration confirmation for in custody applicants](#)
- [Apply for legal aid criminal defence certificates for out-of-custody clients](#)
- [Offer document preparation for eligible family clients](#)

Read [LAO update: year-end edition](#) for more information on developments at LAO between October through December 2020.

Q4

Q4 January
- March 2021

January 2021

To support the professional development of private bar lawyers who take on legal aid work, LAO introduced enhancements to its [second chair mentorship program](#). Beginning in March, mentees who identify as Indigenous, Black, racialized, living with a disability, women or LGBTQ+ are eligible to participate in in-firm mentorship.

LAO also expanded additional services because of the pandemic. New services included:

- [Help healthcare workers apply for permanent residence](#)
- [Double compensation for bail hearings](#)

Read [LAO update: year-end edition](#) for more information on developments at LAO between January through March 2021.

KEY PERFORMANCE INDICATORS (KPI)

LAO's performance indicator targets were established prior to the 2020-21 fiscal year. The ability to achieve those targets was impacted by the COVID-19 pandemic.

Organization health

KPI	Measurement frequency	Last measured	Target	2019-20	2020-21
Turnover	Annual	Q4 2020-21	10%	14.7%	4.2%
Staff to management ratio	Annual	Q4 2020-21	10 to 1	7.6 to 1	7.5 to 1
Average sick days used per employee (incidental + short term)	Annual	Q3 2020-21	10.1 days	11.8 days	9 days
Employee engagement	Annual	Q4 2020-21	72%	67%	*56%

* A new vendor conducted LAO's engagement survey in 2020 using a different methodology to calculate engagement. LAO's engagement score is in line with a benchmark score of 56.6%.

Financial indicators

KPI	Measurement frequency	Last measured	Target	2019-2020	2020-21
Balanced budget	Annual	2020-21	No deficit	\$14.4M surplus	(\$9.6M) deficit
Debt position	Annual	2020-21	No accumulated deficit	\$10.4M accumulated surplus	\$0.6M accumulated surplus
Cash flow	Annual	2020-21	\$15M cash	\$68.0M balance	\$59.3M balance
% of expenditures spent on administration	Annual	2020-21	11%	9.7%	9.5%

Service

KPI	Measurement frequency	Last measured	Target	2019-20	2020-21
% of area office appeals heard within 3 days	Annual	Q4 2020-21	80%	68.9%	53.7%
Acceptance rate for certificate applications	Annual	Q4 2020-21	87%	88.1%	91.2%
% of calls answered within 3 minutes (L1*)	Annual	Q4 2020-21	80%	57.1%	51.7%
% of calls answered within 3 minutes (LSC*)	Annual	Q4 2020-21	80%	92.9%	91.3%
% of calls answered within 3 minutes (In-custody)	Annual	Q4 2020-21	80%	71.9%	75.5%
% of calls answered within 20 minutes (L2*)	Annual	Q4 2020-21	80%	69.5%	57.8%
Overall client satisfaction (% positive responses)	Annual	Q4 2020-21	80%	80.1%	79.3%
Overall lawyer satisfaction (% positive responses)	Annual	Q2 2020-21	45%	43.0%	57.0%

Analysis of operational performance

Call centre

LAO's call centre is one of the main points of access for information about legal aid, referrals to legal services, and to apply for legal aid.

Number of calls answered over the phone

Service level / type	2016-17	2017-18	2018-19	2019-20	2020-21
Phone – Tier 1	295,186	285,154	288,469	283,636	260,784
Phone – Tier 2	114,505	100,310	111,694	111,049	89,762
Phone – In-custody clients	31,827	32,822	34,842	37,295	27,773
Phone – Lawyer Service Centre	44,409	46,538	44,230	40,058	32,519

Tier 1 (L1)

Agents in Tier 1 of LAO's call centre help assess service needs and provide information about qualifying for legal aid. Their responsibilities include, but are not limited to: triage, making referrals, performing status checks and updating client profiles.

Tier 2 (L2)

Tier 2 agents conduct an in-depth analysis of a client's legal needs, financial situation and case details to determine eligibility for legal aid services. Their responsibilities include, but are not limited to: processing applications, issuing certificates, making referrals, and providing enhanced public legal information.

In-custody clients

LAO also offers a service dedicated to helping people who are incarcerated across the province. Staff take calls directly from inmates to determine legal aid eligibility, process applications and issue certificates as well as conduct status checks on submitted applications.

Lawyer Service Centre (LSC)

Lawyers who do legal aid work can contact the call centre for information on, including but not limited to: tariff, billing, account status and technical support. This group serves as a first point of contact for most lawyers' inquiries.

Average call wait time (in minutes)

Service level / type	2016-17	2017-18	2018-19	2019-20	2020-21
Phone – Tier 1	02:07	08:06	03:29	04:56	07:57
Phone – Tier 2	09:02	34:22	21:42	16:17	27:50
Phone – In-custody clients	01:02	02:36	02:38	02:03	1:52
Phone – Lawyer Service Centre	02:43	02:06	01:24	00:46	00:53

Duty counsel services

LAO's duty counsel program provides legal assistance in Ontario's criminal, youth, and family courts. People who do not have a lawyer can get information about legal proceedings, summary legal information, and, in some cases, legal advice and representation. Duty counsel services are provided by LAO staff lawyers and per diem private bar lawyers.

Duty counsel offices assist whoever appears on the day of their hearing without private legal representation. Often, they help the same client multiple times on separate occasions and for different matters.

Clients assisted by duty counsel

Area of law	2016-17	2017-18	2018-19	2019-20	2020-21
Criminal	460,988	508,679	516,160	516,759	377,694
Civil*	144,989	139,977	138,063	101,927	55,544
Total	605,977	648,656	654,223	618,686	433,238

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

Certificate program

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

LAO staff working at courthouses or on the phone assess whether an individual qualifies for legal help from LAO, and what kind. A formal application is then created, and, if approved, a certificate is issued. Certificates state the type of service and length of time LAO will pay for a lawyer to complete the service based on the typical amount of work required for the service.

Once a certificate is issued, a client can choose any LAO-panel lawyer to represent them. The overall proportion of certificates where a client obtains a lawyer is high but shows some variance between different areas of law.

LAO does not specify how much legal aid work a lawyer does throughout the year. There are some lawyers who accept a handful of cases, while others focus their practice entirely on representing legal aid clients.

The average lifetime of a certificate can be influenced by court scheduling, legislative changes, the duration of legal proceedings (e.g., matters that go to trial have a longer lifetime), and a lawyer's billing practices (there is an 18-month billing deadline from the day a certificate is issued).

Formal applications for certificates by fiscal year

Certificate applications	2016-17	2017-18	2018-19	2019-20	2020-21
Applications made	129,369	119,300	129,360	120,335	103,077

Certificate application outcomes

Outcomes	2016-17	2017-18	2018-19	2019-20	2020-21
Approved	112,109	102,873	111,588	105,308	94,909
Refused	13,182	13,159	14,024	13,010	6,527
Other*	7,887	6,404	6,380	5,904	2,618
Total outcomes recorded	133,178	122,436	131,992	124,222	104,054

*'Other' represents outcomes of an administrative nature and can include referrals to other service providers, applications withdrawn by the client, or instances when an application was created in error.

Length of time to determine application outcome

Duration of application decision	2016-17	2017-18	2018-19	2019-20	2020-21
Same-day	93,247	85,652	92,533	87,242	88,743
2 to 7 days	10,144	10,023	12,264	13,134	6,477
8 to 14 days	6,337	6,199	6,835	5,787	2,068
15 to 30 days	10,098	9,225	9,522	8,432	2,410
Over 30 days	13,352	11,337	10,838	9,627	4,356
Total outcomes recorded	133,178	122,436	131,992	124,222	104,054
Same-day outcomes	70%	70%	70%	70%	85.29%

Certificates approved by area of law

Area of law	2016-17	2017-18	2018-19	2019-20	2020-21
Criminal	63,855	56,777	60,408	60,097	52,068
Family	30,303	27,049	29,401	24,055	28,302
Immigration and refugee	12,658	13,687	16,181	15,502	6,750
Other*	5,293	5,360	5,598	5,654	7,789
Total certificates issued	112,109	102,873	111,588	105,308	94,907

*‘Other’ represents matters before the Consent and Capacity Board, prison law, and matters before civil tribunals.

Percentage of certificates accepted by area of law

Area of law	2016-17	2017-18	2018-19	2019-20	2020-21
Criminal	97%	97%	97%	96%	95%
Family	79%	80%	78%	77%	75%
Immigration and refugee	94%	94%	94%	93%	91%
Other*	95%	95%	95%	96%	96%

*‘Other’ represents matters before the Consent and Capacity Board, prison law, and matters before civil tribunals.

Number of lawyers who accepted a LAO certificate

Lawyers	2016-17	2017-18	2018-19	2019-20	2020-21
Number of lawyers	3,440	3,430	3,418	3,326	3,266

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

Fees	2016-17	2017-18	2018-19	2019-20	2020-21
\$100K to \$250K	637	625	639	665	431
Over \$250K	78	81	94	73	46
Total	715	706	733	738	477

* 2020-21 figures are not final as clients may be in the process of finding a lawyer to represent them.

Average cost of certificates

Average cost of a completed certificate by area of law

Area of law	2016-17	2017-18	2018-19	2019-20	2020-21
Criminal	\$1,664	\$1,787	\$1,815	\$1,750	\$1,672
Family	\$3,259	\$3,335	\$3,496	\$3,525	\$3,490
Immigration & refugee	\$2,631	\$2,469	\$2,401	\$2,076	\$2,028
Other	\$1,468	\$1,496	\$1,571	\$1,453	\$1,345
Overall average cost	\$2,016	\$2,143	\$2,180	\$2,089	\$1,947

Average lifetime of a completed certificate (in months)

Area of law	2016-17	2017-18	2018-19	2019-20	2020-21
Criminal	6.9	7.6	7.5	7.6	8.9
Family	13.5	14.5	14.9	15.1	16.2
Immigration & refugee	8.8	11.0	15.7	14.7	17.3
Other	3.2	3.3	3.6	3.5	3.3
Total	8.1	9.0	9.4	9.5	10.0

AUDIT AND COMPLIANCE SERVICES

Audit and compliance services

The audit and compliance unit conducts audits of lawyer accounts to ensure compliance with LAO billing rules. Findings inform decisions on how to improve the billing process, communication and training for LAO panel members.

There are two types of audits:

- **Random:** Accounts are randomly selected each month using a computer algorithm. The Audit and Compliance Unit is mandated to complete 1,200 random audits each fiscal year
- **Targeted:** These audits look at a specific lawyer, group of lawyers, or a type of billing, based on a potential risk factor. Risk factors may include a high number of billing errors flagged in the past, payments made that do not appear to be consistent with information available to the Audit and Compliance Unit from other government organizations

Accounts audited	Random		Targeted	
	2019-20	2020-21	2019-20	2020-21
Accounts audited	1,258	1,503	737	1,079
% of accounts with errors	7.10%	8.40%	35.10%	41.40%

When an audit confirms that a lawyer's account does not comply with LAO's billing rules, funds are recovered and the lawyer is provided with the relevant information to help submit future bills accurately. Where a lawyer's account is validated, the file is closed and the lawyer is not contacted.

Where evidence of serious billing misconduct is detected because of an audit, the matter may be referred to the investigations department or the panel manager.

The investigations department protects LAO from misappropriation of assets and to enforce the *Legal Aid Services Act* and LAO rules and policies. Investigations are conducted into matters involving panel lawyers, clients, and LAO staff. The department also serves as LAO's liaison to the Law Society of Ontario.

Findings of non-compliance in panel lawyer investigations may result in a recovery of overpaid funds, a caution or warning, panel management sanctions or a referral to the Law Society of Ontario.

Investigation files closed	2019-20	2020-21
Total number of files pertaining to panel lawyers	136	69
Files with no findings of non-compliance	57	22
Files referred to the Law Society of Ontario	35	38
Total number of files closed	144	74

Our complaints department records, tracks and resolves complaints and inquiries about LAO. Complaints are a source of information for all aspects of LAO's work and allows the complaints department to recommend systemic process and policy improvements.

In 2020-21, 2,784 initial complaints were registered. 416 were substantiated. Most were related to LAO panel lawyers and were made by clients requesting a change of solicitor.

LAO has a two-stage complaint resolution process. A person unsatisfied with the initial resolution of their complaint may request another review.

The complaints department is also responsible for responding to public and government-body inquiries

Stage 1 complaints vs. substantiated complaints	2019-20	2020-21
Services provided by panel lawyers	2,972 (446)	2,686 (411)
Duty counsel services	19 (2)	3
LAO policy	94 (9)	60 (1)
LAO staff	28 (8)	28 (4)
Other	28	7
Total	3,141 (465)	2,784 (416)

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis is intended to assist readers in understanding LAO's operating results and financial position as well as its strategic direction regarding the provision of future services.

This report should be read in conjunction with LAO's audited financial statements for the year ended March 31, 2021, prepared in accordance with Canadian generally accepted accounting principles (GAAP), and the accompanying notes, which form a part of those statements.

Impact of COVID-19

COVID-19's most significant impact on LAO was the three 50-basis point Bank of Canada (BOC) rates reductions in March 2020, which resulted in Law Foundation of Ontario (LFO) revenues decreasing by \$80M from the 2019-20 fiscal year. While reduced courtroom operations allowed LAO to offset this drop in revenue in 2020-21, increasing certificate expenditures suggest that LAO will not realize such savings again in 2021-22.

This change in monetary policy is likely to persist as the Bank of Canada plans continued low interest rates to assist with the economic recovery. During the 2008 recession, LFO experienced a similar shortfall, and revenue levels did not return for ten years. Due to the previous funding reductions and service changes already implemented, LAO has a limited ability to identify immediate offsets to address the LFO shortfall in this fiscal year.

Government funding

As indicated in both Note 12 and 13 of LAO's audited financial statements for the year ended March 31, 2021, the funding reductions from MAG in the fiscal years 2019-20 and 2020-21 resulted in LAO having to rely on unpredictable LFO revenues. These revenues fell by over \$80M, resulting in unprecedented financial stress on LAO. With no firm funding commitments from either the provincial or the federal governments, the fulfillment of LAO's mandate will be challenging. Due to this, LAO will conduct an internal review to examine how it might reduce internal administration expenses prior to making any external service reductions. LAO faces a deficit of over (\$50M) in 2021-22, and over (\$80M) in the out-years after this.

To manage liquidity risks, a commitment from Ministry of Attorney General to back LAO efforts to alleviate revenue shortfall for fiscal 2021-22 and future years is essential.

Executive summary of financials

Summary of LAO's financial position

LAO's operating deficit for the year ended March 31, 2021, is (\$9.6M); compared to a surplus of \$14.4M last fiscal year. LAO's net accumulated surplus is \$0.6M for the current year-end, compared to \$10.4M net accumulated surplus at the start of the year.

Risks

LAO continues to face a significant revenue shortfall in the budget attributed to the reduction in Law Foundation of Ontario (LFO) revenues.

Revenues (page 4 of the financial statements)

Summary of Revenues

(\$000's)	2020-21	2019-20	Increase/ (Decrease)	Notes
Government Funding	\$ 353,535	\$ 357,110	\$ (3,575)	1
Law Foundation	25,454	105,687	(80,233)	2
Client Contributions	5,195	9,204	(4,009)	3
Client & Other Recoveries	1,646	2,380	(734)	
Investment Income	308	795	(487)	
Miscellaneous	568	859	(291)	
TOTAL REVENUES	\$ 386,706	\$ 476,035	\$ (89,329)	

1. Government Funding - (\$3.6M) decrease

(\$000's)	2020-21	2019-20	Increase/ (Decrease)	Notes
Base Funding	\$ 326,864	\$ 323,323	\$ 3,541	A
DOJ 3 - Year Funding	8,123	8,123	0	
DOJ One-time Funding	17,777	25,664	(7,887)	B
Federal I&R - 2019 One time Funding	771	0	771	
TOTAL GOVERNMENT FUNDING	\$ 353,535	\$ 357,110	\$ (3,575)	

Notes

a. Base Funding:

The increase in 2020-21 is attributed to a \$3.5M federal criminal base funding increase compared to prior year

b. Department of Justice:

The reduction in DOJ one-time funding is attributed to the expectation that I&R expenditures in 2020-21 would decline due to the impact of COVID-19

2. Law Foundation of Ontario - (\$80.2M) decrease

In fiscal 2020-21, Law Foundation of Ontario revenues decreased by (\$80.2M) from fiscal 2019-20, from \$105.7M to \$25.5M. The revenue decrease this year is attributable to:

- In March 2020, in response to COVID-19, the Bank of Canada made three rate reductions in the overnight rate. On March 4, 16 and 27 the Bank of Canada reduced their lending rate by 50bps each time, reducing the overnight rate from 1.75% to 0.25%. The rate has stayed at 0.25% since the lending rate reduction in March 2020, impacting revenues received from LFO

3. Client Contributions - (\$4.0M) decrease

Client contributions are lower proportionate to the reduction in certificate expenses for 2020-21 compared to 2019-20. Please refer to Expenditure Note 4 below for further information regarding certificate expenses.

Summary of Expenditures

(\$000's)	2020-21	2019-20	Increase/ (Decrease)	Notes
Certificate Program	\$ 158,578	\$ 220,610	\$ (62,032)	
Staff Office	18,800	20,259	(1,459)	
Subtotal	177,378	240,869	(63,491)	4
Duty Counsel	49,241	56,460	(7,219)	5
Clinic Program	94,863	89,048	5,815	6
Service Innovation Projects	2,103	2,178	(75)	
Program Support	26,861	24,420	2,441	7
Service Provider Support	7,956	8,473	(517)	

(\$000's)	2020-21	2019-20	Increase/ (Decrease)	Notes
Administrative & Other Costs	37,953	40,205	(2,252)	8
TOTAL EXPENDITURES	\$ 396,355	\$ 461,653	\$ (65,298)	

Expenditures (pages 4-5 of the financial statements)

4. Certificate Program - (\$62.0M) decrease

There has been a change in the financial statement presentation (for 2020-21 and 2019-20) in regard to the administration costs associated with certificates, which are now disclosed under service provider support.

The certificate program - The (\$62.0M) variance breaks down by area of law

(\$000's)	2020-21	2019-20	Increase/ (Decrease)	Increase/ (Decrease)
Criminal - BCM	\$ 17,452	\$ 25,371	\$ (7,919)	(31.2%)
Criminal - Non-BCM	61,686	90,716	(29,030)	(32.0%)
Family	54,563	70,611	(16,048)	(22.7%)
Immigration/Refugee	16,382	26,316	(9,934)	(37.7%)
Civil	8,495	7,596	899	11.8%
TOTAL CERTIFICATE PROGRAM	\$ 158,578	\$ 220,610	\$ (62,032)	(28.1%)

The 2020-21 certificate issuance, compared to 2019-20, is as follows:

- Criminal 12.3% decrease
- Family 17.7% increase
- Immigration 56.5% decrease
- Civil 37.7% increase

All legal services were impacted by COVID-19 due to the number of court and tribunal closures impacting the lawyers' ability to attend to advance or complete their matters. This directly affects LAO's billing "lifecycles" as illustrated above and will be seen in 2021-22—depending on how the pandemic is resolved.

5. Duty Counsel - (\$7.2M) decrease

Duty counsel expenditures were reduced due to the impact of COVID-19, the resulting court closures, and a decrease in clients duty counsel assisted.

6. Clinic Program - \$5.8M increase

The clinic program has increased from \$89.0M to \$94.8M. Overall transfer payments have increased due to an increase in salaries and benefits, operating expenses, and a decrease in clinic surpluses recovered.

7. Program Support - \$2.4M increase

Program Support

(\$000's)	2020-21	2019-20	Increase/ (Decrease)
Regional Operations	\$ 1,879	\$ 1,102	\$ 777
Area Office Services	14,033	13,700	333
Client and Lawyer Support Centre	10,949	9,618	1,331
TOTAL EXPENDITURES	\$ 26,861	\$ 24,420	\$ 2,441

- Regional operations expenditure has increased due to \$0.2M in courthouses risk assessments, \$0.2M in special funding grant, and increase in salaries, wages, and benefits
- Area office services expenditure increased due to the hiring of staff
- Client and lawyer support centre expenditure has also increased due to the hiring of staff to address a high wait times in the call centre

8. Administrative and Other Costs - (\$2.3M) decrease

Administration costs have decreased due to business disruptions attributed to COVID-19. The savings are from administration savings in the provincial office and a reduction in bad debts.

Balance Sheet

Explanations of significant changes in Balance Sheet accounts

(\$000's)	2020-21	2019-20	Increase/ (Decrease)	Notes
ASSETS				
Cash and cash equivalents	\$ 34,093	\$ 42,727	\$ (8,634)	
Short-term investments	25,159	25,229	(70)	
Sub-total	59,252	67,956	(8,704)	1
Other receivables	11,161	14,443	(3,282)	2
Capital assets	2,347	2,167	180	3
LIABILITIES				
Accounts payable and accrued liabilities	96,230	99,717	(3,492)	4
Net Accumulated Surplus	\$ 589	\$ 10,418	\$ (9,829)	5

Notes

1. Decrease in cash and short-term investments of (\$8.7M) is a result of the in-year deficit and lower interest rates on short-term investments.
2. The decrease in other receivables relates to the reduction in certificates issued in the year.
3. The increase in capital assets is attributed to higher IT spending for the work from home order in response to COVID-19.
4. The decrease in accounts payable reflects the decrease in certificate spending.
5. The decrease in Net Accumulated Surplus is due to the deficit incurred for the fiscal year 2020-21.

Conclusion

LAO has completed another year that presented some unforeseen social and economic challenges, resulting in a deficit of (\$9.6M). The year-end deficit is a result of several interest rate reductions which were partially offset by reduced certificate spending.

If interest rates remain at or near their current levels LAO will experience a funding shortfall. This shortfall will be amplified once the COVID-19 restrictions are eased and eventually eliminated, where the courts can return to normal operations.

AUDITED FINANCIAL STATEMENTS

2020-2021

**Legal Aid Ontario
Financial Statements
For the year ended March 31, 2021**

Contents

Independent Auditors' Report	2
Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Net Assets (Deficit)	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Management's Statement of Responsibility

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

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

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

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



David Field
President and
Chief Executive Officer

June 22, 2021



Louis Dimitracopoulos
Chief Administrative Officer
and Vice President

June 22, 2021



INDEPENDENT AUDITOR'S REPORT

To Legal Aid Ontario

Opinion

I have audited the financial statements of the Legal Aid Ontario (LAO), which comprise the balance sheet as at March 31, 2021, and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LAO as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Legal Aid Ontario

Balance Sheet

March 31, 2021 (\$000's)	March 31, 2020 (\$000's)
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ASSETS

Current Assets

Cash and cash equivalents (Note 7)	\$ 34,093	\$ 42,727
Investments (Note 4)	25,159	25,229
Prepaid expenses and other assets	2,728	2,071
Client accounts receivable, net of allowance (Note 3(a))	8,340	9,067
Other receivables (Note 3(b))	<u>11,161</u>	<u>14,443</u>

81,481	93,537
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Long-term client accounts receivable, net of allowance (Note 3(a))	17,622	18,887
Capital net assets (Note 5)	<u>2,347</u>	<u>2,167</u>

TOTAL ASSETS

\$ <u>101,450</u>	\$ <u>114,591</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued liabilities (Note 6)	\$ <u>96,230</u>	\$ <u>99,717</u>
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Long-Term Liabilities

Accrued pension liability (Note 11)	<u>2,284</u>	<u>2,289</u>
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Net Assets

Net accumulated surplus	589	10,418
Invested in capital assets (Note 8)	<u>2,347</u>	<u>2,167</u>

<u>2,936</u>	<u>12,585</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ <u>101,450</u>	\$ <u>114,591</u>
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Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31	March 31, 2021 (\$000's)	March 31, 2020 (\$000's)
REVENUE		
Government funding (Notes 1(a) and 1(b))	\$ 353,535	\$ 357,110
The Law Foundation of Ontario funding	25,454	105,687
Client contributions	5,195	9,204
Client and other recoveries	1,646	2,380
Investment income (Note 4)	308	795
Miscellaneous income	<u>568</u>	<u>859</u>
TOTAL REVENUE	\$ 386,706	\$ 476,035
EXPENSES (Note 2)		
Client Programs		
Certificate Program		
Criminal - Big cases	\$ 17,452	\$ 25,371
Criminal - others	<u>61,686</u>	<u>90,716</u>
Sub-total	79,138	116,087
Family	54,563	70,611
Immigration and refugee	16,382	26,316
Other civil	<u>8,495</u>	<u>7,596</u>
Sub-total	158,578	220,610
Settlement conferences	126	152
Family law offices	5,423	6,295
Integrated law offices	4,441	4,667
Criminal law offices	3,331	2,760
Refugee law office	3,299	3,586
Articling students	162	839
Nishnawbe-Aski Legal Services Corporation	<u>2,018</u>	<u>1,960</u>
Certificates	<u>177,378</u>	<u>240,869</u>
Duty Counsel Program		
Duty counsel fees and disbursements	46,298	54,303
Expanded duty counsel	<u>2,943</u>	<u>2,157</u>
Sub-total	<u>49,241</u>	<u>56,460</u>
Clinic Program and Special Services		
Clinic law services (Note 9)	88,803	82,531
Student legal aid services societies	5,183	5,035
Clinic information management project	<u>877</u>	<u>1,482</u>
Sub-total	<u>94,863</u>	<u>89,048</u>
Service Innovation Projects		
Other	<u>\$ 2,103</u>	<u>\$ 2,178</u>

Legal Aid Ontario Statement of Operations

For the year ended March 31	2021 (\$000's)	2020 (\$000's)
EXPENSES (continued)		
Program Support		
Regional operations	\$ 1,879	\$ 1,102
District/Area office services	14,033	13,700
Client and legal service centre	<u>10,949</u>	<u>9,618</u>
Sub-total	<u>26,861</u>	<u>24,420</u>
TOTAL CLIENT PROGRAMS	<u>350,446</u>	<u>412,975</u>
Service Provider Support		
Research facilities	3,127	3,519
Lawyers' services and payments	<u>4,829</u>	<u>4,954</u>
Sub-total	<u>7,956</u>	<u>8,473</u>
Administrative and Other Costs		
Provincial office	34,946	36,030
Amortization	893	1,066
Bad debts	<u>2,114</u>	<u>3,109</u>
Sub-total	<u>37,953</u>	<u>40,205</u>
TOTAL EXPENSES	<u>396,355</u>	<u>461,653</u>
Excess (Deficiency) of revenues over expenses for the year	<u>\$ (9,649)</u>	<u>\$ 14,382</u>

Statement of Changes in Net Assets (Deficit)

For the year ended March 31,

	Invested Capital Assets (Note 8)	Accumulated Surplus	2021 Total	2020 Total
<u>(\$000's)</u>				
Net assets (deficit), beginning of year	\$ 2,167	\$ 10,418	\$ 12,585	\$ (1,797)
Net change in capital assets	180	(180)	-	-
Excess (Deficiency) of revenues over expenses for the year	<u>-</u>	<u>(9,649)</u>	<u>(9,649)</u>	<u>14,382</u>
Net assets, end of year	<u>\$ 2,347</u>	<u>\$ 589</u>	<u>\$ 2,936</u>	<u>\$ 12,585</u>

Legal Aid Ontario
Statement of Cash Flows

For the year ended March 31	March 31, 2021 (\$000's)	March 31, 2020 (\$000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess (Deficiency) of revenues over expenses for the year	\$ (9,649)	\$ 14,382
Non-cash operating activity:		
Amortization of capital assets	893	1,066
Changes in non-cash balances:		
Accrued pension liability	(5)	59
Accrued interest on investments	70	36
Prepaid expenses and other assets	(657)	641
Client accounts receivable	727	964
Other receivables	3,282	4,457
Long-term client accounts receivable	1,265	999
Accounts payable and accrued liabilities	<u>(3,487)</u>	<u>(3,889)</u>
	<u>(7,561)</u>	<u>18,715</u>
INVESTING ACTIVITIES		
Redemption of Investment	10,000	5,000
Purchase of Investment	<u>(10,000)</u>	<u>(5,000)</u>
	<u>-</u>	<u>-</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	<u>(1,073)</u>	<u>(316)</u>
Net (decrease) increase in cash and cash equivalents during the year	(8,634)	18,399
Cash and cash equivalents, beginning of year	<u>42,727</u>	<u>24,328</u>
Cash and cash equivalents, end of year	\$ <u>34,093</u>	\$ <u>42,727</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario ("LAO" or 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 Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Ontario, it is accountable to the Government of Ontario, for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

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

FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, client accounts receivable, other receivables, and accounts payable and accrued liabilities.

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

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

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

Legal Aid Ontario

Notes to Financial Statements

For the Year Ended March 31, 2021

REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions.

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

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

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, internally restricted cash, balances with financial institutions and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value with original maturities of typically one year.

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	- 3 years
Enterprise-wide software	- 3-7 years
Leasehold improvements	- over the term of lease

Notes to Financial Statements**For the Year Ended March 31, 2021**

EMPLOYEE BENEFIT PLANS

The Corporation accrues its obligations under a defined benefit employee plan and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing. Contributions to the defined contribution pension plan are recorded on an accrual basis.

USE OF ESTIMATES

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

The infectious coronavirus ('COVID-19') pandemic has added to the Corporation's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates in the past. Significant estimates in the financial statements include the allowance for client accounts receivable, accruals related to legal work performed but not yet billed and accrued employee benefits. Due to the COVID-19 pandemic additional uncertainty exists related to the allowance for client accounts receivable, see Note 3a. This uncertainty relates to client's ability to pay their accounts in the future.

Notes to Financial Statements

For the Year Ended March 31, 2021

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario (the Attorney General) to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Ministry of the Attorney General ("MAG") and the Corporation. The most recent MOU was signed on November 12, 2014. A new agreement is expected to be worked on following the proclamation of the new Legal Aid Services Act 2020 (LASA 2020). The Corporation expects the LASA 2020 to be proclaimed in fiscal 2022.

- (a) The Corporation is economically dependent on the revenues from the Province of Ontario and the Law Foundation of Ontario ("LFO"): the proportion of LAO's revenue from these funders represented 91% (75% - 2020) and 7% (22% - 2020) respectively. Total contributions received from MAG from the Treasury Board were as shown below:

	2021 (\$000's)	2020 (\$000's)
Government funding	<u>\$ 353,535</u>	<u>\$ 357,110</u>

- (b) Included in government funding for the year ended March 31, 2021 is an amount of \$86.2 million (2020 - \$89.8 million) representing an allocation of funds based on an agreed cost-sharing arrangement between the federal government and the Province in connection with criminal law for \$52.4 million (2020 - \$48.9 million), under the Youth Criminal Justice Act; and \$33.8 million (2020 - \$40.9 million) for Immigration and Refugee cases.
- (c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to allocate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless, under Subsection 69(2), it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

Notes to Financial Statements

For the Year Ended March 31, 2021

2. Expenses by Object

The table below provides totals for each expense category:

	2021 (\$000's)	2020 (\$000's)
Certificates	\$ 158,578	\$ 220,610
Duty Counsel per diem	10,146	20,479
Clinic funding	94,863	89,048
Other transfer payments	2,018	1,960
Salaries and benefits	111,747	106,614
Leases	4,816	4,972
Bad debts, amortization and other expenses	<u>14,187</u>	<u>17,970</u>
	<u>\$ 396,355</u>	<u>\$ 461,653</u>

The expenses by object provides details for salaries, benefits and administrative expenses. The Statement of Operations discloses expenses by program. This includes salaries, benefits and other expenses incurred.

Notes to Financial Statements

For the Year Ended March 31, 2021

3. Accounts Receivable

(a) Client accounts receivable

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

March 31, 2021 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 52,453	\$ 133	\$ 176	\$ 177	\$ 51,967
Less: impairment allowance	<u>(26,491)</u>	<u>(78)</u>	<u>(69)</u>	<u>(99)</u>	<u>(26,245)</u>
	<u>\$ 25,962</u>	<u>\$ 55</u>	<u>\$ 107</u>	<u>\$ 78</u>	<u>\$ 25,722</u>

March 31, 2020 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 56,989	\$ 152	\$ 389	\$ 275	\$ 56,173
Less: impairment allowance	<u>(29,035)</u>	<u>(81)</u>	<u>(254)</u>	<u>(169)</u>	<u>(28,531)</u>
	<u>\$ 27,954</u>	<u>\$ 71</u>	<u>\$ 135</u>	<u>\$ 106</u>	<u>\$ 27,642</u>

Represented by:

Current (non-lien) client accounts receivable
Long-term (lien) client accounts receivable

2021 (\$000's)	2020 (\$000's)
8,340	9,067
<u>17,622</u>	<u>18,887</u>
<u>\$ 25,962</u>	<u>\$ 27,954</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

3. Accounts Receivable (continued)

(b) Other receivables

Other receivables are comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency for Harmonized Sales Taxes (HST) rebate, and both the Federal Department of Justice ("DOJ") and MAG for protocol cases.

March 31, 2021 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 1,840	\$ 1,840	\$ -	\$ -	\$ -
DOJ protocol cases	188	188	-	-	-
HST receivable	5,872	2,944	2,275	114	539
Law Foundation of Ontario	3,161	3,161	-	-	-
Other receivables	<u>100</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other receivables	<u>\$ 11,161</u>	<u>\$ 8,233</u>	<u>\$ 2,275</u>	<u>\$ 114</u>	<u>\$ 539</u>

March 31, 2020 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 3,937	\$ 1,848	\$ -	\$ -	\$ 2,089
DOJ protocol cases	104	104	-	-	-
HST receivable	3,020	3,020	-	-	-
Law Foundation of Ontario	6,822	6,822	-	-	-
Other receivables	<u>560</u>	<u>509</u>	<u>-</u>	<u>-</u>	<u>51</u>
Total other receivables	<u>\$ 14,443</u>	<u>\$ 12,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,140</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

4. Investments

	2021 (\$000's)	2020 (\$000's)
Guaranteed investment certificates	\$ 25,051	\$ 25,051
Accrued interest	<u>108</u>	<u>178</u>
	<u>\$ 25,159</u>	<u>\$ 25,229</u>

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The 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, 2021 are in compliance with the statutory requirements. Short-term investments held of \$25.1 million (2020 - \$25.1 million) are invested at various rates from prime less 2.2% up to 1.25%. The Corporation earned investment income of \$0.3 million in 2021 (2020 - \$0.8 million).

5. Capital Assets:

	2021 (\$000's)	Office Furniture & Equipment	Computer Hardware	Leasehold Improvement	Enterprise Wide Software	Total
Cost						
Balance, open		\$ 138	\$ 1,642	\$ 3,712	\$ 15,663	\$ 21,155
Additions		7	1,066	-	-	1,073
Disposals		-	(607)	(1,049)	(35)	(1,691)
Balance, close		<u>145</u>	<u>2,101</u>	<u>2,663</u>	<u>15,628</u>	<u>20,537</u>
Accumulated Amortization						
Balance, open		39	953	2,333	15,663	18,988
Amortization		23	574	296	-	893
Disposals		-	(607)	(1,049)	(35)	(1,691)
Balance, close		<u>62</u>	<u>920</u>	<u>1,580</u>	<u>15,628</u>	<u>18,190</u>
Net book value		<u>\$ 83</u>	<u>\$ 1,181</u>	<u>\$ 1,083</u>	<u>\$ -</u>	<u>\$ 2,347</u>
	2020 (\$000's)					
Cost						
Balance, open		\$ 199	\$ 2,210	\$ 4,320	\$ 17,912	\$ 24,641
Additions		-	316	-	-	316
Disposals		(61)	(884)	(608)	(2,249)	(3,802)
Balance, close		<u>138</u>	<u>1,642</u>	<u>3,712</u>	<u>15,663</u>	<u>21,155</u>
Accumulated Amortization						
Balance, open		90	1,323	2,419	17,892	21,724
Amortization		10	514	522	20	1,066
Disposals		(61)	(884)	(608)	(2,249)	(3,802)
Balance, close		<u>39</u>	<u>953</u>	<u>2,333</u>	<u>15,663</u>	<u>18,988</u>
Net book value		<u>\$ 99</u>	<u>\$ 689</u>	<u>\$ 1,379</u>	<u>\$ -</u>	<u>\$ 2,167</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

6. Accounts Payable and Accrued Liabilities

	2021 (\$000's)	2020 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 13,322	\$ 13,636
- estimate of work performed but not yet billed	68,600	73,600
Rent inducements	1,608	1,822
Trade and other payables	6,164	6,917
Vacation pay	6,536	3,742
	<u>\$ 96,230</u>	<u>\$ 99,717</u>

7. Internally-restricted cash

Included in cash and cash equivalents is an amount of \$16.5M internally restricted to cover future costs related to immigration and refugee certificates issued in prior year.

8. Invested in Capital Assets

Invested in capital assets represents the amount of net assets that are not available for other purposes because they have been used to fund the purchase of capital assets. Changes in net assets invested in capital assets during the year consist of the following:

	2021 (\$000's)	2020 (\$000's)
Balance, beginning of year	\$ 2,167	\$ 2,917
Purchase of capital assets	1,073	316
Amortization	<u>(893)</u>	<u>(1,066)</u>
Balance, end of year	<u>\$ 2,347</u>	<u>\$ 2,167</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

9. Clinic Law Services

The Corporation provides funding to community clinics, enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community clinics are independent from, but accountable to, 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 funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2021 (\$000's)	2020 (\$000's)
Payments to and on behalf of clinics	\$ <u>88,803</u>	\$ <u>82,531</u>

10. Commitments and Contingencies

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

	Base Rent (\$000's)	Operating Costs (\$000's)	Equipment (\$000's)	Total (\$000's)
2022	\$ 2,113	\$ 2,542	\$ 53	\$ 4,708
2023	1,883	2,395	37	4,315
2024	1,842	2,329	11	4,182
2025	1,820	2,282	3	4,105
2026	1,518	2,067	-	3,585
Thereafter	<u>4,594</u>	<u>6,183</u>	<u>-</u>	<u>10,777</u>
	\$ <u>13,770</u>	\$ <u>17,798</u>	\$ <u>104</u>	\$ <u>31,672</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

10. Commitments and Contingencies (continued)

- (b) The Corporation is the defendant in a number of lawsuits arising in the ordinary course of business. The outcome and ultimate disposition of these actions are not known; however, based on the claims made, management estimates an amount of \$0.3 million (2020 - \$0.6 million) and made the necessary provision. Some of those lawsuits are covered by insurance after the application of a deductible of up to \$50 thousand, depending on when the event of the claim occurred and the nature of the claim.

11. Pensions

The Corporation has two pension plans providing retirement benefits for its employees. There are two components to the regular plan: a defined contribution and a defined benefit component. In addition, there is also a non-registered supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 944 (2020 - 973) employees. Pension expense for the year relating to this component of the plan was \$7.9 million (2020 - \$7.5 million).

Defined Benefit Component

The defined benefit component of the plan covers a total of 15 employees; there is 1 active participant (2020 - 1) and 14 retirees (2020 - 14). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employee, which is two years as at March 31, 2021 (2020 - three years). Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is subject to actuarial valuations for funding purposes at intervals of not more than three years. The last valuation was completed in January 2020, and the next actuarial valuation of the Plan for funding purposes will be prepared for the period ended January 1, 2023.

Notes to Financial Statements

For the Year Ended March 31, 2021

11. Pensions (continued)

It was determined that a full valuation allowance is required against the defined benefit pension plan asset in accordance with public sector accounting standards. For this year the valuation allowance reflects a decrease of \$0.2 million (2020 - increase of \$0.2 million).

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	2021 (\$000's)	2020 (\$000's)
Accrued benefit obligation	\$ 3,546	\$ 3,621
Fund assets at market value	<u>4,830</u>	<u>4,114</u>
Funded status - plan surplus	1,284	493
Unamortized net actuarial loss (gain)	<u>(530)</u>	<u>432</u>
Net Pension asset	<u>754</u>	<u>925</u>
Valuation allowance, beginning of year	(925)	(760)
(Increase) decrease valuation allowance	<u>171</u>	<u>(165)</u>
Valuation allowance, end of year	<u>\$ (754)</u>	<u>\$ (925)</u>

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

	2021 (\$000's)	2020 (\$000's)
Current period benefit cost	\$ 7	\$ 18
Amortization of actuarial losses (gains)	226	(76)
Interest revenue	<u>(26)</u>	<u>(43)</u>
	<u>\$ 207</u>	<u>\$ (101)</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

11. Pensions (continued)

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

	2021	2020
Accrued benefit obligation		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%
Benefit expense		
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

Other information about the defined benefit plan is as follows:

	2021 (\$000's)	2020 (\$000's)
Employer contributions	\$ 36	\$ 64
Employee contributions	3	7
Benefits paid	\$ 268	\$ 213

Notes to Financial Statements

For the Year Ended March 31, 2021

11. Pensions (continued) Supplementary Executive Benefit Plan

The Board of the Corporation approved the establishment of a supplementary executive benefit plan for a designated executive member. Under the plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2021.

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

	2021	2020
Discount rate	4.00%	4.00%
Inflation	1.75%	1.50%

The Corporation's pension expense for the year for this plan was \$0.11 million (2020 - \$0.17 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2021 was \$2.28 million (2020 - \$2.29 million). During the year, the Corporation made \$0.11 million (2020 - \$0.11 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2021 (\$000's)	2020 (\$000's)
Accrued Pension Liability		
Supplementary Executive Benefit Plan	\$ <u>2,284</u>	\$ <u>2,289</u>

Notes to Financial Statements

For the Year Ended March 31, 2021

12. Contingency Reserve - Non-compliance with Regulation

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a contingency reserve fund as prescribed by Section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of \$20 million, which was funded by the Corporation. 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 the reason 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 the future. The \$20.0 million was fully depleted in fiscal year 2017.

LAO had net accumulated deficits in the fiscal years 2018 and 2019. Further, LAO had funding reductions from the Ontario government in fiscal 2019 and 2020 resulting in LAO having to rely on unpredictable LFO revenues. LFO revenues which are driven by the Bank of Canada overnight rate, fell by over \$80M as a result of three Bank of Canada rate reductions in March 2020. As a result, LAO has been unable to be compliant with this legislative requirement.

13. Financial Instruments Risks

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

Credit risk

The Corporation is exposed to credit risk in connection with its accounts and other receivables and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable is recorded net of any allowances for impairment (note 3 (a)).

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government and other funders with no fixed amount committed for future years.

The LFO's revenue has fluctuated historically, rising and falling due to economic conditions, which is beyond LAO's control. The funding reductions from MAG in fiscal 2019 and 2020 resulted in LAO having to further rely on unpredictable LFO revenues. LFO revenues which are driven by the Bank of Canada overnight rate, fell by over \$80M as a result of three Bank of Canada rate reductions in March 2020. This has resulted in unprecedented financial stress on LAO and with no firm funding commitments in place from either the provincial or federal governments, the fulfillment of LAO's mandate will be a challenge in the future. To manage liquidity risks, LAO is currently working on a range of revenue options with the Ministry of the Attorney General to provide stable funding for fiscal 2022 and future years, and is also considering cuts to both program and administrative expenditures.

Notes to Financial Statements

For the Year Ended March 31, 2021

13. Financial Instruments Risks (continued)

Interest rate risk

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

At year end LAO had \$25.1 million (2020 - \$25.1 million) invested in Guaranteed Investment Certificates (GIC), at rates of up to 1.25% with maturity dates to January 4, 2022.

14. Comparative Figures

Amounts in; Criminal - big case, Criminal - others, Criminal law offices and Lawyer services and payments have been reclassified in order to conform to the current year's presentation.

Legal Aid Ontario

40 Dundas St. West, Suite 200

Toronto, ON M5G 2H1

1-800-668-8258

media@lao.on.ca

www.legalaid.on.ca



LEGAL AID ONTARIO

AIDE JURIDIQUE ONTARIO