

LEGAL AID ONTARIO
2021 - 2022
**ANNUAL
REPORT**



LEGAL AID ONTARIO

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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 12, 2022

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 32 of the *Legal Aid Services Act, 2020* and the Agencies and Appointments Directive, Legal Aid Ontario's annual report for the year ended March 31, 2022.

We greatly appreciate the funding provided by the Ministry and the Ontario Government in support of the services provided to low-income Ontarians by Legal Aid Ontario.

Sincerely,

A handwritten signature in black ink, appearing to be 'J.S.A. Pengelly', is located below the word 'Sincerely,'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

J.S.A. (Steve) Pengelly
Chair, Legal Aid Ontario Board of Directors

LEADERSHIP MESSAGE

Message from the Chair and CEO

2021-22 turned out to be a year of teamwork, flexibility, innovation and hope for Legal Aid Ontario. Despite the pandemic and its uncertainty, our staff, clinics and private bar lawyers put their skills and ingenuity toward ensuring clients continued to receive timely, professional and compassionate service. We adapted to the challenging environment and prevailed, delivering crucial legal services, and continuing to carry out LAO's mandate to serve clients and support the administration of justice.

We made changes to fit the circumstances created by the pandemic, some of which LAO will take into the future. We launched online applications, permitted lawyers to apply for legal aid on behalf of clients and provided online supports to make it easier for lawyers to do legal aid work. In 2021-22, LAO processed 11% more applications and provided 44% more duty counsel assists than over the previous year.

We also saw the new *Legal Aid Services Act, 2020* come into force, two years after the province first tabled it, aided by an incredible amount of work by many of our staff to make it a reality. The new legislation makes LAO more effective and responsive to the needs of our clients, and it reaffirms our mandate to provide essential legal services to the most vulnerable individuals in our province.

Health care and education were the focus of government response to the pandemic, but COVID's fiscal impact affected the entire public sector, including LAO. The decline in revenue from the Law Foundation of Ontario (LFO) left us facing a likely deficit of \$58 million. Additional public funds helped us close the gap and maintain our services. LAO successfully worked with the Ministry of the Attorney General to secure additional one-time funding to address the immediate cash flow shortfall and additional funding for Digital Modernization in 2021-22.

We also thank the LAO board for their efforts and leadership in a year of fiscal pressure and rapid change resulting from the pandemic and our new legislation. A special thanks goes to our outgoing chair, Charles Harnick, for his dedication and guidance.

We wish to recognize and remember Malcolm Heins, who was an indispensable member of the LAO board. Malcolm passed away this year and will be sorely missed. Finally, we are grateful to the LAO management team, and all the staff, for the important work they do every day, and particularly those on the front lines who helped ensure the smooth functioning of the justice system during the pandemic.

Much has changed over the last two years, and Legal Aid Ontario will continue to evolve and adapt to meet the needs of our clients. We know now, more than ever, the critical role legal aid plays in the administration and integrity of the justice system. We look forward to building on the lessons we have learned to innovate, enhance services and support access to justice for low-income Ontarians.

A stylized, handwritten signature in black ink, likely belonging to Steve Pengelly.

Steve Pengelly
Chair, Legal Aid Ontario Board of Directors

A stylized, handwritten signature in black ink, likely belonging to David Field.

David Field
President & CEO, Legal Aid Ontario

ABOUT LAO

Services at a glance

Legal Aid Ontario (LAO) offers a range of legal services in English and French, 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. Total duty counsel funding of \$57.6 million covered over 625,000 assists.

Service online and over the phone

Toll-free services include information, referrals, summary legal advice, and the taking of legal aid applications. Through all channels LAO staff processed more than 114,000 applications for services resulting in 104,000 certificates.

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. Funding for certificates totalled \$196.4 million.

Community legal clinics

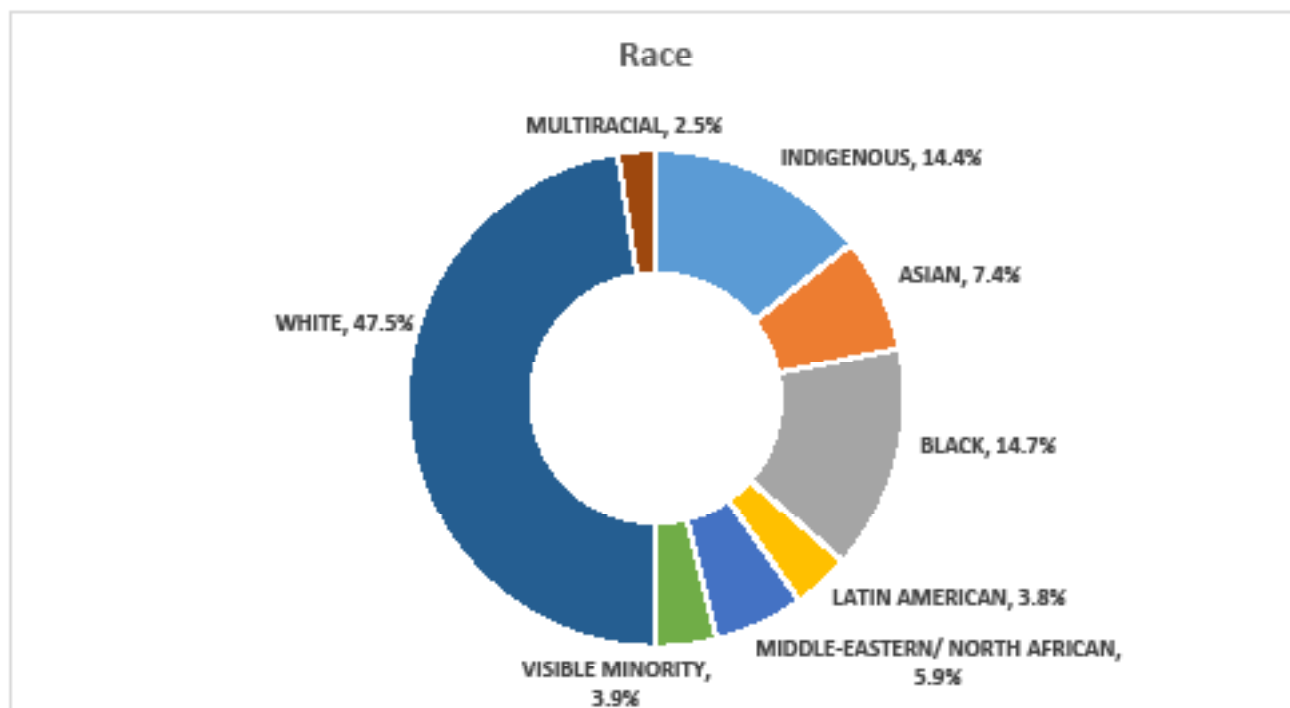
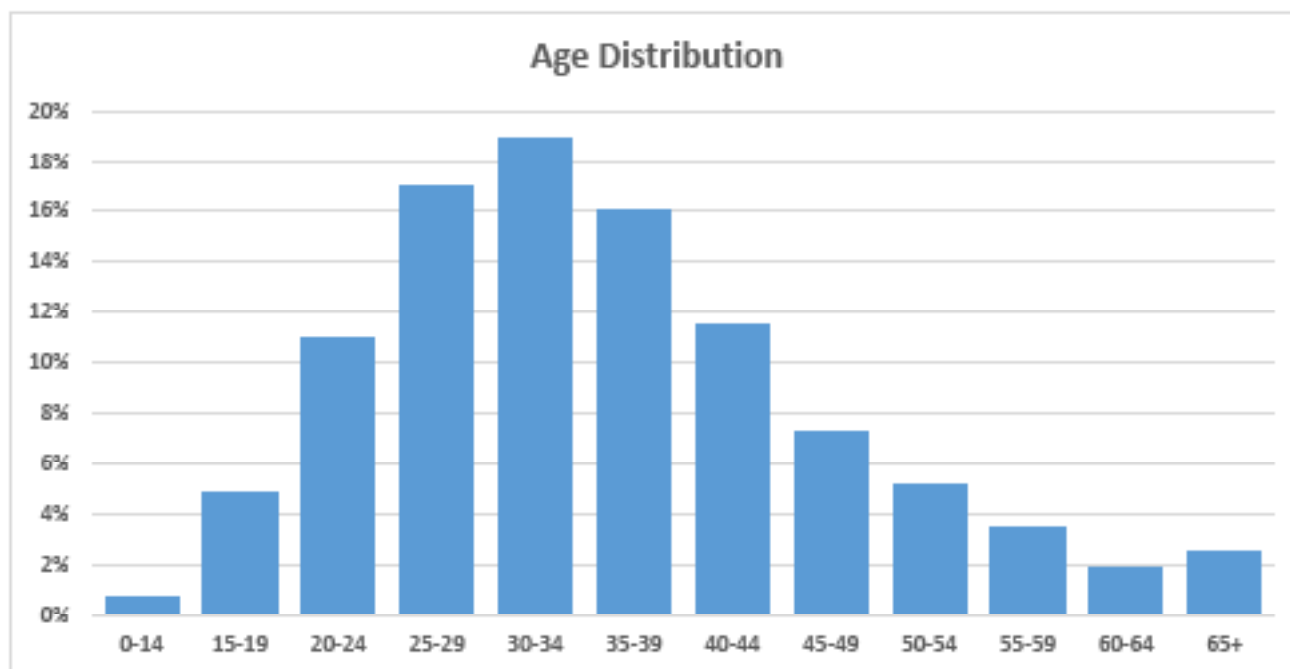
LAO funds 59 general service legal clinics (\$71.4 million) and 13 specialty clinics (\$17.1 million) across the province. Community service clinics provide legal services to help low-income people and communities meet basic needs such as a source of income, a home and human rights. Specialty clinics 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). This funding supported a range of services in the areas noted above, including opening almost 97,000 cases and more than 6,400 community development, advocacy, and communications initiatives.

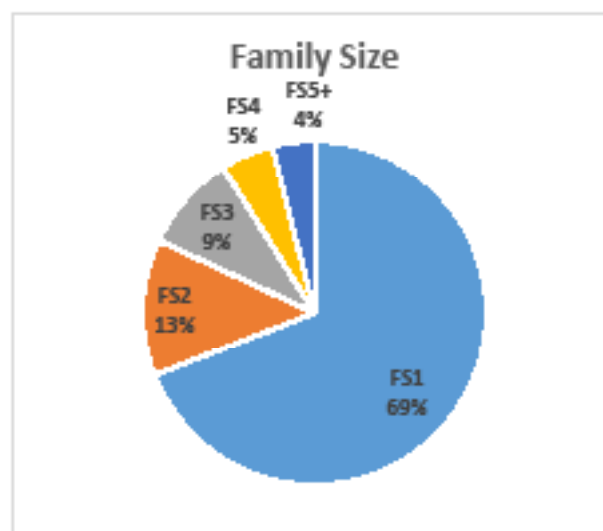
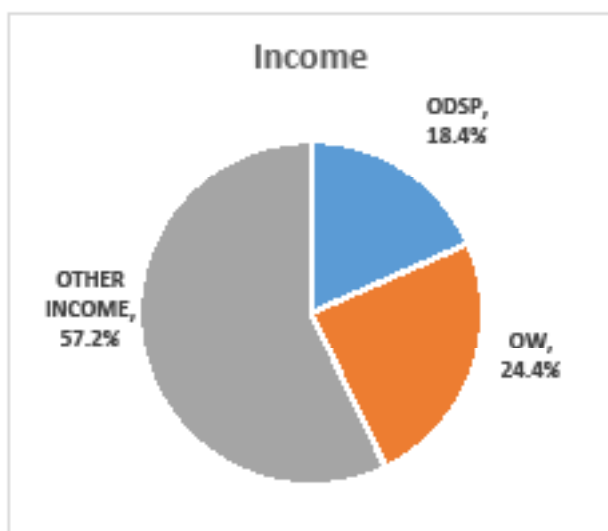
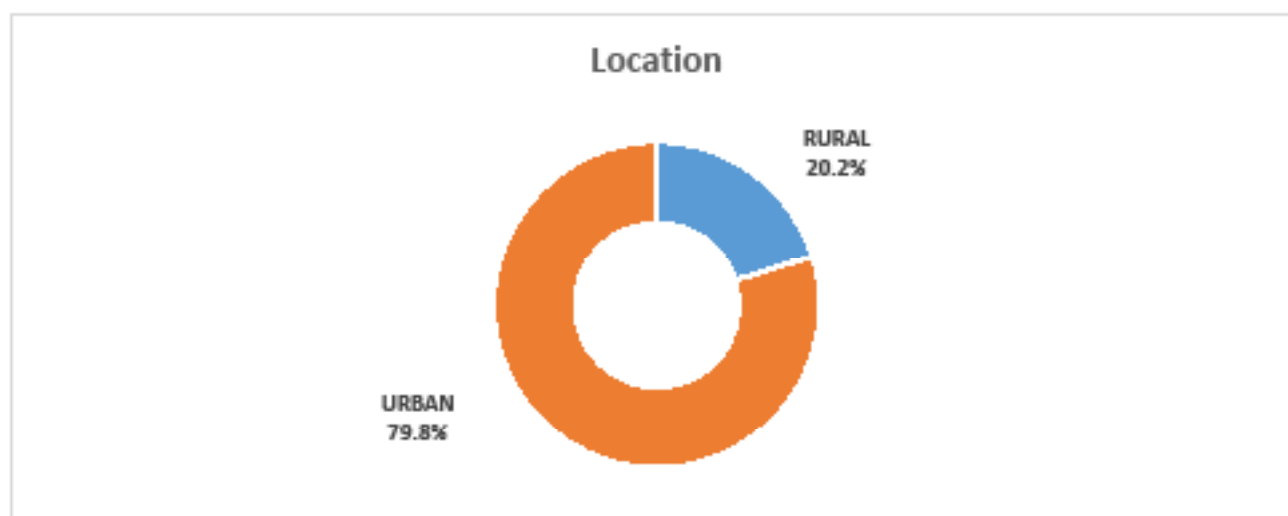
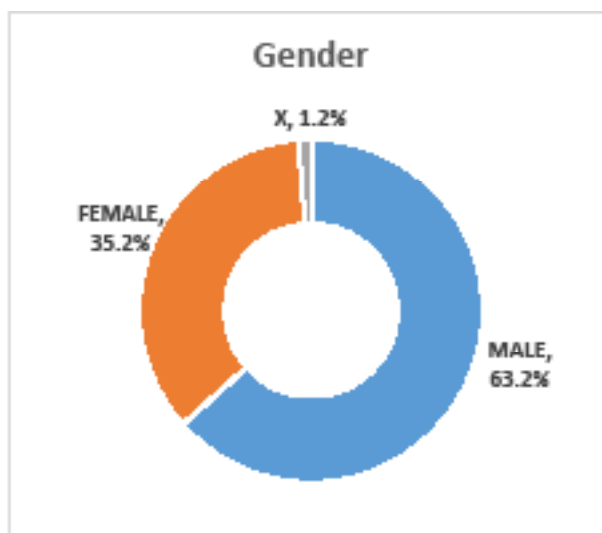
Student Legal Services Organizations (SLSO)

LAO also funds SLSO operating out of seven of Ontario's eight law schools (\$5.4 million). Full-time lawyers supervise volunteer law students who provide legal advice and representation to clients with matters such as landlord and tenant issues, immigration cases, and minor criminal matters.

Clients at a glance

The services enumerated above are delivered to a diverse array of clients through Ontario. These charts show how this diversity manifests among our certificate clients. LAO is working to gather this kind of data about the clients we serve through our other service channels.





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 2021-22
Charles Harnick	Chair	April 2019	April 2022	\$132,692.29
Jennifer Gold	Current member	Dec. 2020	Dec. 2022	\$4,312.50
Judy Mintz	Current member	March 2020	March 2023	\$16,125.00
Deborah Moriah	Current member	Jan. 2021	Jan. 2023	\$10,500.00
Bryn Gray	Current member	Jan. 2021	Jan. 2023	\$0.00
John Callaghan	Current member	Jan. 2021	Jan. 2023	\$0.00
Malcolm Heins	Former member	June 2019	April 2022	\$12,937.50
Julia Bailey	Current member	April 2021	April 2023	\$7,562.50
Peter Johnson	Current member	Jan. 2021	Jan. 2023	\$6,300.00
Christopher Uwagboe	Current member	April 2021	April 2023	\$0.00
Steve Pengelly	Current member (Chair – April 2022)	July 2021	April 2025	\$0.00
David Wexler	Former member	June 2019	June 2021	\$2,625.00
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 Committee

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

Human Resources Committee

- Malcolm Heins (Chair)
- Judy Mintz
- Peter Johnson
- Steve Pengelly
- Charles Harnick, non-voting member
- David Field, ex-officio non-voting member

Operations Committee

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

Nominating and Corporate 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

Until LASA, 2020 was proclaimed in October 2021, nine area committees made up of approximately 300 people, including lawyers and community representatives, heard appeals related to decisions regarding client eligibility for legal aid certificates. Area committees are not required under LASA, 2020.

Test Case Committee

The committee is comprised of senior LAO staff with expertise in different areas of law. Through an application process, the committee provides funding for meritorious test cases that both advance the interests of the applicant and have an impact on a larger group of low-income Ontarians. Over the past year, the committee has continued to focus its test case funding on litigation that will support particularly disadvantaged communities, who might not otherwise have been in a position to advance their case without that funding. 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 for which costs are difficult to estimate.

YEAR IN REVIEW

Core client strategies

LAO's core client strategies address unmet legal needs of clients who are over represented in the justice system.

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

- Aboriginal Justice Strategy
- Racialized Communities 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.

2021-22 accomplishments

Anti-Racism Action Plan and Law Foundation of Ontario projects

LAO received funding from Heritage Canada and its Anti-Racism Action Program (ARAP) to support the collection and analysis of outcomes in bail proceedings. The ARAP project will analyze race-based data, Indigenous identity data and bail outcomes to assess the existence of racial disparity in bail proceedings. The project is being managed in conjunction with another project that the Racialized Communities Strategy has received funding for via the Law Foundation of Ontario.

As part of the work leading to the proclamation and implementation of LASA, 2020, LAO conducted Equity Impact Assessments (EIA) on the Rules, 44 associated policies and Statement of Principles to identify and address impacts on Indigenous, Black and racialized communities.

Through the Racialized Communities, Aboriginal Justice and Bail strategies, LAO focused on finalizing targeted training materials and supports for select duty counsel and other LAO staff who will be engaged in collecting outcomes data.

LAO staff collected race-based data on behalf of the Ministry of the Attorney General since July 2021 for all persons assisted by duty counsel and entering the bail system in Ontario. LAO also developed and implemented a reporting framework for collecting and sharing the data for the purpose of eliminating systemic racism and advancing racial equity in compliance with the province's *Anti-Racism Act*.

LAO entered a funding agreement with the Department of Justice to complete Impact of Race and Cultural Assessments for legally-aided Black accused facing jail time of two years or over, and where a youth is facing a custodial sentence.

Roster standards: minimum experience standards consultations

Staff from across LAO worked together to develop minimum experience standards (MES). The MES are standards that roster lawyers would need to meet to be authorized to provide legal aid services in different areas of law, and will be introduced pursuant to the *Legal Aid Services Act, 2020* (LASA, 2020).

As part of this work, LAO engaged in its first consultation pursuant to Section 33 of LASA, 2020. The S. 33 consultation period ran from Dec. 14, 2021 to Jan. 24, 2022. Stakeholders were invited to share input on the draft MES in writing or by participating in a live, virtual consultation session.

Support for immigration detainees

In 2020, LAO introduced the Immigration Detention Representation Program (IDRP) which provides immediate and quality legal representation to immigrant detainees, provided by both staff services and the private bar, and which increased the rate of representation in immigration detention review hearings from 38% to 98%.

Relationships First, Business Later: Part I

In June 2021, LAO released the findings of “Relationships First, Business Later: Part 1”, a consultation report on LAO and the Aboriginal Justice Strategy’s effectiveness in the delivery of legal aid services to Indigenous communities in Ontario.

The report addresses key insights including:

- Mitigating barriers to accessing justice.
- Indigenous representation within LAO and in LAO’s advisory systems.
- Improving legal services.
- Supporting Indigenous justice processes.
- Developing culturally appropriate and informed legal services.

Comprehensive analysis of the LAO-funded Gladue programs

LAO’s Aboriginal Justice Strategy (AJS) retained the services of Dr. Jane Dickson to lead the review of LAO-funded Gladue programs in Ontario. Dr. Dickson recently completed the first national study on Gladue in Canadian courts. The comprehensive analysis being done by Dr. Dickson for LAO will include an evaluation of the programs being administered by Aboriginal Legal Services Inc., Nishnawbe-Aski Legal Services Corporation, and Grand Council Treaty #3. The aim of the review will be to determine how LAO can:

- better meet the needs of Indigenous people through the funding of Gladue report writing services; and
- develop the most efficient and meaningful way to fund and oversee this program on an ongoing basis.

The research team, led by Dr. Dickson, analyzed statistical and financial reports and conducted interviews with Gladue service provider staff.

Second Chair Program

In spring 2021, LAO implemented a pilot to expand LAO’s Second Chair Program to create mentorship opportunities for racialized and Indigenous lawyers and for lawyers from other equity-seeking groups. The Second Chair Program allows new or mid-career lawyers to benefit from the knowledge and experience of senior lawyers. With one lawyer serving as the ‘second chair’ on a case, new or mid-career lawyers have an opportunity to obtain hands-on training from more experienced counsel to allow them to better serve the needs of low-income clients.

Legal Aid Services Act, 2020

2021-22 accomplishments

Rules and policies

The Legal Aid Services Rules, 44 associated policies and Statement of Principles were approved by LAO's board and presented to the Minister within the timelines necessary for the proclamation of LASA, 2020 in October 2021. The results of this work are the final Legal Aid Services Rules and policies that have been posted on the LASA, 2020 rules website.

LAO introduced a board-approved, public-facing Statement of Principles setting out principles and commitments that are foundational to LAO's work under LASA, 2020, including LAO's strategic goals regarding equity and human rights, accessibility, French language services, and service providers.

LAO identified changes and updated its systems and processes to support LASA, 2020, including replacement of LASA, 1998 and regulations terminology. This included:

- Completing over 40 operational assessments and process change records.
- Updating LAO's information management systems (including client management, lawyer and client portals, and website) with LASA, 2020 information and content (in French and English).
- Preparing and delivering over 50 live online training sessions to LAO staff and per diem duty counsel on the new legislation.
- Preparing communications and messaging to keep internal and external stakeholders informed about the path to proclamation.
- Managing the transition from the former area committee process to the establishment of a new Eligibility Review Office.

Consultation policy (S. 33)

LAO established a board-approved Legal Aid Ontario Consultation Policy as required by S. 33 of LASA, 2020 to set out under what circumstances and how LAO seeks the public's views about changes to its rules and/or board-approved policies.

As a first consultation, LAO deployed a website and consultation plan for the Legal Aid Services Rules.

This year LAO also developed and consulted on new minimum experience standards for roster members following the Section 33 consultation process.

Entity service provider agreements

New service agreements were entered by all clinics and student legal services organizations (SLSO), effective the date LASA, 2020 was proclaimed and the Legal Aid Services Rules came into force in October 2021. The new service agreements are multi-year, term-limited and set out the services to be delivered with funding.

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.

2021-22 accomplishments

Continued deployment of the multi-year Equity, Diversity and Inclusion Strategy including:

- communications and awareness through acknowledging, celebrating and educating on numerous religious holidays, cultural and equity-based awareness days and heritage months;
- creation and distribution of a downloadable religious observances calendar to build awareness of and reduce barriers to religious and cultural participation;
- continuous learning opportunities for LAO employees through EDI-focused lunch and learns and mandatory trainings;
- mental health and wellness lunches for LAO employees;
- updated LAO's Multi Year Accessibility Plan;
- created an official Land Acknowledgement for LAO; and
- developed and promoted an informal Black employees network.

Call centre services

LAO's Client Service Centre (CSC) fields calls from Ontarians seeking legal services. Many of the calls result in applications and eligibility checks, but the CSC also handles many calls that result in referrals to other services like clinics or summary legal advice programs or relate to existing certificates. The pandemic and related lockdowns have increased the importance of this service channel with the CSC handling 25% more calls than the previous year in 2021-22, with volumes near pre-pandemic levels.

2021-22 accomplishments

Call centre hours of service

As part of LAO's commitment to make services more client-focused and accessible, the contact centre was tasked with reviewing its hours of service with a goal of addressing:

- Capacity challenges resulting in long wait times and queue closures.
- Feedback from stakeholders indicating that clients would benefit from extended contact centre hours.

Following analysis of potential demand, an exploratory one-year pilot extended contact centre hours to 8 a.m. to 7:30 p.m.

The Extended Hours Pilot was launched on July 5, 2021 and found:

- Extended hours call volumes have been higher than originally anticipated but are still relatively low.
- Interaction costs are higher during extended hours when compared to the rest of the day, particularly between 6:30 p.m. and 7:30 p.m., due to very low call volumes.

LAO ended the pilot and returned to previous hours of operation of 8 a.m. to 5 p.m. while ensuring appropriate capacity and support.

Digital enhancements

- LAO launched an online legal aid application for clients as part of enhancements to the Client Portal, including the ability for clients to update their personal information, submit documents and check the status of their application.
- The Knowledge & Information Management (KIM) system enhancements successfully completed usability testing and a new site launched that will house an operational policy and procedure instrument repository.
- LAO's service location finder (replacing PATHS) completed usability testing and developed recommendations for improvements that will be incorporated into an updated online tool for clients and service providers.

Clinic law services

2021-22 accomplishments

In 2021-22, community and specialty legal clinics activities included:

Activity	2021-22 Total
Cases opened	96,931
Tenant duty counsel assists	67,686
Referrals to other services and agencies	45,299
Community, advocacy, and communications initiatives	6,434

Beyond case work, initiatives like public legal education / information and legal advice, community legal clinics, Indigenous Legal Services Organizations (ILSO) and SLSO play a critical role in expanding access to justice for low-income Ontarians by contributing to systemic changes and awareness. To highlight a few key activities over the last fiscal year:

- LAO rolled out new demographic reports and expanded the demographic fields clinics submit as part of quarterly service statistical reports to LAO. This supports LAO's goal to ensure clinic and SLSO service planning and delivery prioritizes appropriate and expanded services for marginalized communities and core client groups.
- A number of clinics intervened on R. v. Morris which was originally brought to LAO's test case program by the Racialized Communities Strategy. Intervening clinics included Black Legal Action Centre, Aboriginal Legal Services, Chinese and Southeast Asian Legal Clinic and the South Asian Legal Clinic of Ontario.
- The Chinese and Southeast Asian Legal Clinic collaborated with the Chinese Canadian National Council for Social Justice (CCNC-SJ) to address the rise of anti-Asian racism during 2020 and 2021. They received funding for a one-year project to run CCNC-SJ's FaceRace and Stop the Spread of Racism campaigns. The Chinese Canadian National Council - Toronto also created an online reporting tool for anti-Asian racism.

- ARCH Disability Law Centre was successful with *Hejka v. The Regional Municipality of Durham* which emphasizes the importance of ensuring a person's independence and dignity when providing services within the purview of the *Accessibility for Ontarians with Disabilities Act*. (AODA). The court found that the paratransit provider's decision served to "undermine rather than promote Mr. Hejka's independence and dignity, two fundamental needs of persons with disabilities that have historically been ignored."
- Through interventions in *Sherman Estates v. Donovan*, both the Income Security Advocacy Centre and HIV & AIDS Legal Clinic Ontario were able to influence a decision that makes clear that a serious risk to a person's privacy interest can justify restricting access to court documents and proceedings where failing to grant these protections would harm a person's dignity (stigmatized health condition(s) is the type of dignity-affecting information that may merit protection).
- Parkdale Community Legal Services (PCLS) had represented former temp agency workers whose employers demanded a \$30,000 payment for quitting their temporary employment. The workers filed a complaint with the Ministry of Labour, but the Ministry found the \$30,000 fee to be legal. Partnering with Downtown Legal Services (DLS), PCLS argued at the Ontario Labour Relations Board against the Ministry of Labour. PCLS facilitated a public awareness campaign, and the Toronto Star wrote an article and an editorial on this issue. PCLS and DLS received a favourable decision from the Ontario Labour Relations Board, which ordered the employer to cease establishing and compelling payment of prohibited fees.

COVID-19 response

Over the course of 2021-22, LAO worked with justice system partners and conducted our own analyses with respect to how the organization could safely and effectively return to providing service to clients at courthouses. LAO also reviewed how the organization could preserve some of the service changes that were adopted as pandemic-related measures, but could be made permanent where they are shown to streamline and modernize client service.

2021-22 accomplishments

- Continued various temporary policies (i.e. waivers of eligibility and additional authorizations for proceedings related to detention) that made access easier for vulnerable clients.
- As an emergency measure, LAO has introduced certificate coverage for Consent and Capacity Board (CCB) hearings for end-of-life matters, for both the incapable person and the substitute decision maker.
- Collaborated in the development, funding (through new certificate authorizations) and staffing of the Judge-led Case Management Court program.
- COVID-19 Risk Assessments and Workplace Violence Risk Assessments were completed in 92 locations (courthouse and staff offices) in the fall of 2020 which led in 2021-22 to the development of a COVID-19 Safety Plan that along with controls such as a management guide was implemented across the province.
- Planned for hybrid workplace (maintaining some remote services and work while adapting to renewed in-person services) through policy and process reviews in all workplaces.

Multiple Language Services

2021-22 accomplishments

French Language Services

LAO provides its services in English and French in areas across the province that are designated pursuant to the *French Language Services Act* (FLSA), and in all its centralized services and communications.

In order to meet its obligations under the FLSA, French language services (FLS) are integrated into all LAO initiatives. In 2021-22 this included: LASA rules and policies, LAO's client portal, new community legal clinic service agreements, the live chat and service location finder, client consent and declaration forms, the roster minimum experience standards, and the revised tariff manual, among others. FLS integration work included human resources planning, training, ensuring FLS functionality and design, user testing in French, external consultations in French, and translation.

Interpretation and Translation Services

LAO provides access to interpretation services for clients who speak neither English nor French, with access to more than 300 languages. In 2021-22, interpretation and translation costs were \$1.1 million to assist LAO and legal clinic clients, and \$2.4 million for certificate interpretation and translation services.

KEY PERFORMANCE INDICATORS (KPI)

LAO's performance indicator targets were established prior to the 2021-22 fiscal year.

Organization health

KPI	Measurement frequency	Last measured	Target	2020-21	2021-22
Turnover	Annual**	Q4 2021-22	10%	5.3%	6.6%
Staff to management ratio	Annual	Q4 2021-22	10 to 1	6.7 to 1	6.5 to 1
Average sick days used per employee (incidental + short term)	Annual**	Q4 2021-22	10.1 days	9.1 days	8.7 days
Employee engagement	Annual	Q4 2020-21	72%	*56%	Comparable measure not available for 2021-22 until next survey

* 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%.

** Calculated by calendar year

Financial indicators

KPI	Measurement frequency	Last measured	Target	2020-21	2021-22
Balanced budget	Annual	2021-22	No deficit	(\$9.6M) deficit	(\$14.3M) deficit
Debt position	Annual	2021-22	No accumulated deficit	\$0.6M accumulated surplus	(\$17.7M) accumulated deficit
Cash flow	Annual	2021-22	\$15M cash	\$59.3M balance	\$52.6M balance
% of expenditures spent on administration	Annual	2021-22	11%	9.5%	8.8%

Service measures

KPI	Measurement frequency	Last measured	Target	2020-21	2021-22
% of area office appeals heard within 3 days	Annual	Q4 2021-22	80%	54%	46%
Acceptance rate for certificate applications	Annual	Q4 2021-22	87%	91%	87%
% of calls answered within 3 minutes (L1)	Annual	Q4 2021-22	80%	52%	73%
% of calls answered within 3 minutes (LSC)	Annual	Q4 2021-22	80%	91%	86%
% of calls answered within 3 minutes (In-custody)	Annual	Q4 2021-22	80%	76%	65%
% of calls answered within 20 minutes (L2)	Annual	Q4 2021-22	80%	58%	79%
Overall client satisfaction (% positive responses)	Annual	Q4 2021-22	80%	79%	79%
Overall lawyer satisfaction (% positive responses)	Annual	Q3 2021-22	45%	57%	46%

Analysis of operational performance

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.

With courts returning toward historic norms for services, LAO has seen the number of assists (online and in-person) follow suit. Criminal services have returned to pre-pandemic levels while family law in-court services are returning more slowly.

Total number of duty counsel assists by area of law

Area of law	2017-18	2018-19	2019-20	2020-21	2021-22
Criminal	508,679	516,160	516,759	377,694	559,510
Civil*	139,977	138,063	101,927	55,544	67,122
Total	648,656	654,223	618,686	433,238	626,632

*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 roster 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).

Over 2021-22, LAO saw applications and certificates increase toward the levels of pre-pandemic years. This increase was observed across all areas of law.

Formal applications for certificates by fiscal year

Certificate applications	2017-18	2018-19	2019-20	2020-21	2021-22
Applications made	119,300	129,360	120,335	103,077	114,762

Certificate application outcomes

Outcomes	2017-18	2018-19	2019-20	2020-21	2021-22
Approved	102,873	111,588	105,308	94,909	100,419
Refused	13,159	14,024	13,010	6,527	10,700
Other*	6,404	6,380	5,904	2,618	3,420
Total outcomes recorded	122,436	131,992	124,222	104,054	114,539

* '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	2017-18	2018-19	2019-20	2020-21	2021-22
Same-day	85,652	92,533	87,242	88,743	89,502
2 to 7 days	10,023	12,264	13,134	6,477	10,715
8 to 14 days	6,199	6,835	5,787	2,068	3,588
15 to 30 days	9,225	9,522	8,432	2,410	4,518
Over 30 days	11,337	10,838	9,627	4,356	6,216
Total outcomes recorded	122,436	131,992	124,222	104,054	114,539
Same-day outcomes	70%	70%	70%	85.29%	78.14%

Certificates approved by area of law

Area of law	2017-18	2018-19	2019-20	2020-21	2021-22
Criminal	56,777	60,408	60,097	52,068	57,505
Family	27,049	29,401	24,055	28,302	23,774
Immigration and refugee	13,687	16,181	15,502	6,750	11,510
Other*	5,360	5,598	5,654	7,789	7,630
Total certificates issued	102,873	111,588	105,308	94,907	100,419

*‘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	2017-18	2018-19	2019-20	2020-21	2021-22
Criminal	97%	97%	96%	95%	94%
Family	80%	78%	77%	75%	68%
Immigration and refugee	94%	94%	93%	91%	88%
Other*	95%	95%	96%	96%	95%

*‘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	2017-18	2018-19	2019-20	2020-21	2021-22
Number of lawyers	3,430	3,418	3,326	3,266	3,146

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

Fees	2017-18	2018-19	2019-20	2020-21	2021-22
\$100K to \$250K	625	639	665	431	566
Over \$250K	81	94	73	46	82
Total	706	733	738	477	648

Average cost of a completed certificate by area of law

Area of law	2017-18	2018-19	2019-20	2020-21	2021-22
Criminal	\$1,787	\$1,815	\$1,750	\$1,672	\$1,667
Family	\$3,335	\$3,496	\$3,525	\$3,490	\$3,555
Immigration & refugee	\$2,469	\$2,401	\$2,076	\$2,028	\$2,204
Other	\$1,496	\$1,571	\$1,453	\$1,345	\$1,329
Overall average cost	\$2,143	\$2,180	\$2,089	\$1,947	\$2,007

Average lifetime of a completed certificate (in months)

Area of law	2017-18	2018-19	2019-20	2020-21	2021-22
Criminal	7.6	7.5	7.6	8.9	9.4
Family	14.5	14.9	15.1	16.2	16.7
Immigration & refugee	11.0	15.7	14.7	17.3	18.7
Other	3.3	3.6	3.5	3.3	3.3
Total	9.0	9.4	9.5	10.0	10.9

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 roster 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, or 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	
	2020-21	2021-22	2020-21	2021-22
Accounts audited	1,502	1,386	1,251	1,199
% of accounts with errors	8.3%	6.9%	44.4%	33.4%

*Please note these numbers are subject to change and are dependant on the stage of audit at the time of reporting.

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 roster manager.

The Investigations Department protects LAO from misappropriation of assets and enforces the *Legal Aid Services Act, 2020* and LAO rules and policies. Investigations are conducted into matters involving roster lawyers, clients, and LAO staff. The department also serves as LAO's liaison to the Law Society of Ontario.

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

Investigation files closed	2020-21	2021-22
Total number of files pertaining to panel lawyers	69	60
Files with no findings of non-compliance	22	17
Files referred to the Law Society of Ontario	38	23
Total number of files closed	74	61

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 2021-22, 3,853 initial complaints were registered. Seven hundred fifty-six were substantiated. Most were related to LAO roster lawyers and were made by clients requesting a change of lawyer.

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

	2020-21	2021-22
Services provided by panel lawyers	2,688 (419)	3,670 (734)
Duty counsel services	3 (0)	4 (1)
LAO policy	50 (1)	87 (9)
LAO staff	40 (6)	75 (11)
Other	7 (0)	17 (1)
Total	2,787 (426)	3,853 (756)

MANAGEMENT DISCUSSION AND ANALYSIS

The Financial Statements Discussion and Analysis (FSD&A) is intended to assist readers in understanding the results of LAO's financial performance for the year ended March 31, 2022.

This report should be read in conjunction with LAO's audited financial statements for the year ended March 31, 2022, prepared in accordance with Canadian generally accepted accounting principles (GAAP), and the accompanying notes, which form a part of those statements.

Overview

Legal Aid Ontario (LAO) is pleased to report that despite continued challenges operating in the second year of the COVID-19 pandemic with significant fiscal uncertainty, we provided high-quality legal and client services and have ended the fiscal year with a much lower deficit position than projected.

LAO entered the 2021-22 fiscal year continuing to face the effects of the significant decline in Law Foundation of Ontario (LFO) revenue due to the COVID-19 pandemic, placing LAO in a challenging financial position with an approved 2021-22 operating deficit of \$58.7 million. LAO successfully worked with the Ministry of the Attorney General (MAG) to secure additional one-time funding of \$20 million to address the immediate cash flow shortfall and \$7 million in additional funding for Digital Modernization in 2021-22. LAO also received additional funding from the federal government for criminal legal aid and immigration & refugee legal aid.

In addition, LAO benefitted from a favourable variance in LFO revenue due to increased mixed trust balances. As a result, LAO reduced the deficit to \$14.3 million from the \$58.7 million forecasted and avoided service reductions that would have otherwise been required.

LAO continues to engage in discussions about a more sustainable funding model that is not as dependent on highly variable LFO revenue.

Highlights

2021-22 Financial Highlights (\$000's)

Statement of Operations For the fiscal year ended March 31

	2021-22 Budget	2021-22 Actual	2020-21 Actual	Change from	
				2021-22 Budget	2020-21 Actual
Revenue	(a)	(b)	(c)	(b-a)	(b-c)
Government Funding	355,146	380,749	353,535	25,603	27,214
Law Foundation of Ontario	26,500	44,585	25,454	18,085	19,131
Other ¹	9,500	8,427	7,717	(1,073)	710
Total Revenue	391,146	433,761	386,706	42,615	47,055
Expenses	(a)	(b)	(c)	(b-a)	(b-c)
Certificate Program	198,400	196,359	158,578	2,041	37,781
Staff Offices	20,242	19,512	18,800	730	712
Duty Counsel	58,340	57,687	49,241	653	8,446
Clinic Program	99,664	97,782	94,863	1,882	2,919
Service Innovation Projects	2,168	2,103	2,103	65	0
Program Support	22,313	26,896	26,861	(4,583)	35
Service Provider Support	8,148	8,282	7,956	(134)	326
Administration and Other Cost ²	40,532	39,432	37,953	1,100	1,479
Total Expenses	449,807	448,053	396,355	1,754	51,698
Annual Deficit	(58,661)	(14,292)	(9,649)	(44,369)	(4,643)

Statement of Financial Position					
As at March 31					
Financial Assets		97,001	101,450		(4,449)
Liabilities		108,357	98,514		9,843
Net Assets		(11,356)	2,936		(14,292)
Net Change in Capital Assets		(6,317)	0		(6,317)
Accumulated Deficit		(17,673)	589		(18,262)

1. Includes Client Contributions, Client and other recoveries, and Investment Income.
2. Other cost includes Depreciation/amortization and Bad Debt Expenses.

Financial highlights

LAO posted a \$14.3 million deficit for the fiscal year ended March 31, 2022, which is lower than budgeted due to additional one-time funding from the Ontario and federal governments and additional Law Foundation of Ontario (LFO) revenue as a result of increased mixed trust balances.

Total revenue was \$433.8 million, which was \$42.6 million or 10.9 percent higher than the 2021-22 Budget, mainly due to higher government funding and additional LFO revenue.

Total expenses were \$448.1 million, which was \$1.8 million or 0.4 percent lower than the 2021 Budget, primarily attributed to lower certificate expenses and higher than expected surplus recoveries from clinics. However, this was partially offset by higher per diem duty counsel expenses due to increased courthouse operations.

Total liabilities increased by \$9.8 million, and total assets decreased by \$4.4 million, resulting in a net increase of \$14.3 million in deficits.

Analysis of 2021-22 Results

Revenue

Details of 2021-22 Actual Results (\$000's)

	2021-22 Budget	2021-22 Actual	2020-21 Actual	Change from 2021-22 Budget	2020-21 Actual
Revenue	(a)	(b)	(c)	(b-a)	(b-c)
Government Funding					
Ontario Government	267,346	288,789	267,347	21,443	21,442
Government of Canada	87,800	91,960	86,188	4,160	5,772
Law Foundation of Ontario	26,500	44,585	25,454	18,085	19,131
Other ¹	9,500	8,427	7,717	(1,073)	710
Total Revenue	391,146	433,761	386,706	42,615	47,055

1. Includes Client Contributions, Client and other recoveries, and Investment Income.

Change from the 2021 Budget

Revenue for 2021-22 was \$433.8 million, \$42.6 million or 10.9 percent higher than projected in the 2021-22 Budget, mainly due to higher provincial funding, federal funding, and Law Foundation of Ontario revenue.

- The provincial funding was \$21.4 million higher than projected in the 2021 Budget, primarily due to additional one-time funding of \$20 million to support LAO cash flow shortfall and \$7 million for Digital Modernization Projects (\$6.2 million of this funding was deferred to match with capital assets amortization).
- Federal funding was \$4.2 million higher than projected in the 2021 Budget due to Ontario's share of \$10 million re-profiled from the 2020 Federal Fall Economic Statement re: Justice Canada support for criminal legal aid to provinces and territories. This funding was directed to address challenges resulting from the COVID-19 pandemic, including the need to address the backlog and foster technological innovation.
- The LFO revenue was \$18.1 million higher than predicted in the 2021 Budget due to increased mixed trust balances in 2021-22.

Change from 2020-21 Actuals

Total revenue for 2021-22 increased by \$47.1 million or 12.2 percent, from 2020-21.

- Provincial funding grew by \$21.4 million or 8.0 percent than in 2020-21 actuals, mainly due to additional one-time funding of \$20 million provided to LAO to alleviate cash flow pressure and \$7 million funding for Digital Modernization (\$6.2M of this amount was deferred to future years to match capital asset amortization expenses).
- Federal funding was \$5.8 million or 6.7 percent higher than in 2020-21 actuals due to:
 - \$4.9 million for one-time funding from the Department of Justice (DOJ) provided for Immigration and Refugee (I&R) legal aid
 - \$3.4 million increase related to Ontario's share of \$10 million re-profiled from the 2020 Federal Fall Economic Statement re: Justice Canada support for criminal legal aid to provinces and territories. This funding was directed to address challenges resulting from the COVID-19 pandemic, including the need to address the backlog in the courts and foster technological innovation
 - \$2.8 million decrease for unused federal I&R funding in 2020-21 and removal of time-limited funding. Based on the audited Final Statement of Claim for the year ended March 31, 2021, it was determined that LAO would have to pay back \$1.3 million of unused DOJ I&R funding to MAG. This money was subsequently returned to the Ministry of the Attorney General.

- The LFO revenue was \$19.1 million, or 75.2 percent higher than in 2020-21 actuals due to increased mixed trust balances in 2021-22.

Expenses

Details of 2021-22 Actual Results (\$000's)

				Change from	
	2021-22 Budget	2021-22 Actual	2020-21 Actual	2021-22 Budget	2020-21 Actual
Expenses	(a)	(b)	(c)	(b-a)	(b-c)
Certificate Program (see breakdown below)	198,400	196,359	158,578	2,041	37,781
Staff Offices	20,242	19,512	18,800	730	712
Duty Counsel	58,340	57,687	49,241	653	8,446
Clinic Program	99,664	97,782	94,863	1,882	2,919
Service Innovation Projects	2,168	2,103	2,103	65	0
Program Support	22,313	26,896	26,861	(4,583)	35
Service Provider Support	8,148	8,282	7,956	(134)	326
Administration and Other Cost ¹	40,532	39,432	37,953	1,100	1,479
Total Expenses	449,807	448,053	396,355	1,754	51,698

1. Other cost includes Depreciation/amortization and Bad Debt Expenses.

				Change from	
	2021-22 Budget	2021-22 Actual	2020-21 Actual	2021-22 Budget	2020-21 Actual
Certificate Program:	(a)	(b)	(c)	(b-a)	(b-c)
Criminal - Big Case Management (BCM)	23,500	23,002	17,452	498	5,550
Criminal - Non BCM	79,500	76,599	61,686	2,901	14,913
Family	68,000	66,469	54,563	1,531	11,906
Immigration and Refugee	19,000	21,130	16,382	(2,130)	4,748
Civil	8,400	9,159	8,495	(759)	664
Total Certificate Program	198,400	196,359	158,578	2,041	37,781

Change from the 2021-22 Budget

Total expenses in 2021-22 were \$448.1 million, which was \$1.8 million or 0.4 percent lower than the 2021 Budget. The lower spend was primarily attributed to:

- Lower than projected certificate program expenses as the impact of the COVID-19 pandemic continued across all major aid categories. Total certificate issuance for 2021-22 is 4,612 (4%) under the original estimated demand.
- Lower than forecasted clinic expenses due to higher than expected surplus recoveries from clinics.
- Lower than anticipated administration and other costs resulting from capitalization of Digital Modernization Projects spending.
- Lower than projected per diem duty counsel expenses partially offset by increased duty counsel expenses due to changes in courthouse operations.

Change from 2020-21 Actuals

Total expenses increased by \$51.7 million, from \$396.4 million in 2020-21 to \$448.1 million in 2021-22.

- Certificate program increased by \$37.8 million over the previous fiscal year. All major aid certificate categories significantly increased from the 2020-21 fiscal year as courts and borders reopened.
- Duty counsel expenses increased by \$8.4 million over 2020-21, mainly due to higher per diem duty counsel expenses resulting from expanded courtroom operations.
- Clinic expenses increased by \$2.9 million over 2020-21, primarily due to increased funding and operational costs, including hardware/software and consulting expenses.
- Administration and other costs increased by \$1.5 million over 2020-21 due to increased depreciation and bad debt expenses. Specifically, in 2021-22, LAO revised its provision for bad debt calculation to include judgement debtors (JD). Historically, JD debtors were excluded from the calculation.

Conclusion

LAO entered the fiscal year continuing to face the effects of the significant decline in Law Foundation of Ontario (LFO) revenue due to the COVID-19 pandemic, placing LAO in a challenging financial position with an approved 2021-22 operating deficit of \$58.7 million. However, while working closely with our partners at the Ministry of the Attorney General and the federal government, LAO improved this deficit through prudent financial management and stewardship of resources. As a result, while still delivering on our operational plan, LAO reduced the deficit to \$14.3 million, 76 percent lower than the forecasted \$58.7 million.

With the recent and anticipated Bank of Canada interest rate increases and the expected increase in LFO revenue, LAO's financial position is expected to improve, and deficits are predicted to be further reduced or eliminated.

AUDITED FINANCIAL STATEMENTS

2021-2022

**Legal Aid Ontario
Financial Statements
For the year ended March 31, 2022**

**Legal Aid Ontario
Financial Statements
For the year ended March 31, 2022**

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Management's Statement of Responsibility

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

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

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

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



David Field
President and
Chief Executive Officer

July 6, 2022



Jennifer Ankrett
Chief Administrative Officer
and Vice President

July 6, 2022



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To Legal Aid Ontario

Opinion

I have audited the financial statements of Legal Aid Ontario (LAO), which comprise the balance sheet as at March 31, 2022, 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, 2022, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Toronto, Ontario
July 6, 2022


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Legal Aid Ontario

Balance Sheet

	March 31, 2022 (\$000's)	March 31, 2021 (\$000's)
ASSETS		
Current Assets		
Cash	\$ 52,529	\$ 34,093
Investments (Note 4)	51	25,159
Prepaid expenses and other assets	2,578	2,728
Client accounts receivable, net of allowance (Note 3(a))	5,160	8,340
Other receivables (Note 3(b))	<u>14,420</u>	<u>11,161</u>
	74,738	81,481
Long-term client accounts receivable, net of allowance (Note 3(a))	15,946	17,622
Capital assets (Note 5)	<u>6,317</u>	<u>2,347</u>
TOTAL ASSETS	<u>\$ 97,001</u>	<u>\$ 101,450</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 99,412	\$ 96,230
Deferred capital contributions (Note 7)	<u>6,173</u>	<u>-</u>
	<u>105,585</u>	<u>96,230</u>
Long-Term Liabilities		
Accrued pension liability (Note 11)	<u>2,772</u>	<u>2,284</u>
Net Assets (Deficit)		
Net Accumulated (Deficit) Surplus	(17,673)	589
Invested in capital assets (Note 8)	<u>6,317</u>	<u>2,347</u>
	<u>(11,356)</u>	<u>2,936</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 97,001</u>	<u>\$ 101,450</u>



Steve Pengelly, Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31	2022 (\$000's)	2021 (\$000's)
REVENUE		
Government funding (Notes 1(a, b and c))	\$ 380,749	\$ 353,535
The Law Foundation of Ontario funding	44,585	25,454
Client contributions	5,339	5,195
Client and other recoveries	2,046	1,646
Investment income (Note 4)	154	308
Miscellaneous income	<u>888</u>	<u>568</u>
TOTAL REVENUE	\$ 433,761	\$ 386,706
EXPENSES (Note 2)		
Client Programs		
Certificate Program		
Criminal - Big cases	\$ 23,002	\$ 17,452
Criminal - others	<u>76,599</u>	<u>61,686</u>
Sub-total	99,601	79,138
Family	66,469	54,563
Immigration and refugee	21,130	16,382
Other civil	<u>9,159</u>	<u>8,495</u>
Sub-total	196,359	158,578
Settlement conferences	197	126
Family law offices	5,706	5,423
Integrated law offices	4,291	4,441
Criminal law offices	3,276	3,331
Refugee law office	3,747	3,299
Articling students	-	162
Nishnawbe-Aski Legal Services Corporation	<u>2,295</u>	<u>2,018</u>
Certificates	<u>215,871</u>	<u>177,378</u>
Duty Counsel Program		
Duty counsel fees and disbursements	54,455	46,298
Expanded duty counsel	<u>3,232</u>	<u>2,943</u>
Sub-total	<u>57,687</u>	<u>49,241</u>
Clinic Program and Special Services		
Clinic law services (Note 9)	91,323	88,803
Student legal aid services societies	5,403	5,183
Clinic information management project	<u>1,056</u>	<u>877</u>
Sub-total	<u>97,782</u>	<u>94,863</u>
Service Innovation Projects		
Other	<u>\$ 2,103</u>	<u>\$ 2,103</u>

Legal Aid Ontario Statement of Operations

For the year ended March 31	2022 (\$000's)	2021 (\$000's)
EXPENSES (continued)		
Program Support		
Regional operations	\$ 2,314	\$ 1,879
District/Area office services	12,275	14,033
Client and legal service centre	<u>12,307</u>	<u>10,949</u>
Sub-total	<u>26,896</u>	<u>26,861</u>
TOTAL CLIENT PROGRAMS	<u>400,339</u>	<u>350,446</u>
Service Provider Support		
Research facilities	3,426	3,127
Lawyers' services and payments	<u>4,856</u>	<u>4,829</u>
Sub-total	<u>8,282</u>	<u>7,956</u>
Administrative and Other Costs		
Provincial office	34,645	34,946
Amortization	1,531	893
Bad debts	<u>3,256</u>	<u>2,114</u>
Sub-total	<u>39,432</u>	<u>37,953</u>
TOTAL EXPENSES	<u>448,053</u>	<u>396,355</u>
Excess of expenses over revenues for the year	<u>\$ (14,292)</u>	<u>\$ (9,649)</u>

Statement of Changes in Net Assets (Deficit)

For the year ended March 31,

	Invested Capital Assets (Note 8)	Accumulated Surplus	2022 Total	2021 Total
(\$000's)				
Net assets, beginning of year	\$ 2,347	\$ 589	\$ 2,936	\$ 12,585
Net change in capital assets	3,970	(3,970)	-	-
Excess of expenses over revenues for the year	-	(14,292)	(14,292)	(9,649)
Net assets (deficit), end of year	\$ <u>6,317</u>	\$ <u>(17,673)</u>	\$ <u>(11,356)</u>	\$ <u>2,936</u>

Legal Aid Ontario

Statement of Cash Flows

For the year ended March 31	2022 (\$000's)	2021 (\$000's)
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of expenses over revenues for the year	\$ (14,292)	\$ (9,649)
Non-cash operating activity:		
Amortization of capital assets	1,531	893
Amortization of deferred capital contributions	(608)	-
Changes in non-cash balances:		
Accrued pension liability	488	(5)
Accrued interest on investments	108	70
Prepaid expenses and other assets	150	(657)
Client accounts receivable	3,180	727
Other receivables	(3,259)	3,282
Long-term client accounts receivable	1,676	1,265
Accounts payable and accrued liabilities	<u>3,182</u>	<u>(3,487)</u>
	<u>(7,844)</u>	<u>(7,561)</u>
INVESTING ACTIVITIES		
Redemption of Investment	25,000	10,000
Purchase of Investment	-	(10,000)
Deferred capital contributions	<u>6,781</u>	<u>-</u>
	<u>31,781</u>	<u>-</u>
CAPITAL ACTIVITY		
Purchase of capital assets	<u>(5,501)</u>	<u>(1,073)</u>
Net increase (decrease) in cash during the year	18,436	(8,634)
Cash, beginning of year	<u>34,093</u>	<u>42,727</u>
Cash, end of year	\$ <u>52,529</u>	\$ <u>34,093</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

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). In October 2021, the new *Legal Aid Services Act, 2020* was proclaimed and currently sets out the legal authority of Legal Aid Ontario.

The *Legal Aid Services Act, 2020* establishes the following mandate for the Corporation:

- Establish and administer a flexible and sustainable system for providing legal aid services to individuals in Ontario
- Establish policies and priorities for the provision of legal aid services based on its financial resources
- Facilitate co-ordination among the different legal aid services that are provided and the manners in which they are provided
- Monitor and supervise the provision of legal aid services in Ontario
- Advise the Minister on all aspects of legal aid services in Ontario including any features of the justice system that affect or may affect the demand for or quality of legal aid services

The affairs of 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, 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	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, 2022

REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions.

Provincial grants restricted for the purchase of capital assets are deferred and amortized into revenue over the same period as the related capital asset.

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

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.

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:

Office furniture & equipment	- 5 years
Computer hardware	- 3 years
Leasehold improvement	- over the term of lease
Enterprise-wide software	- 3-7 years

Notes to Financial Statements**For the Year Ended March 31, 2022**

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, 2022

1. Government Funding

The Agencies and Appointments Directive requires the Corporation and the Ministry of the Attorney General ("MAG") to enter into a Memorandum of Understanding ("MOU"). The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between MAG and the Corporation. The most recent Memorandum of Understanding (MOU) in effect was signed on November 12, 2014. Following the proclamation of the new Legal Aid Services Act 2020, the Corporation is working with the Ministry to finalize a new MOU. Management expects to finalize the new MOU in fiscal 2023.

- (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 88% (91% - 2021) and 10% (7% - 2020) respectively. Total contributions received from MAG from the Treasury Board were as shown below:

	2022 (\$000's)	2021 (\$000's)
Government funding	<u>\$ 380,749</u>	<u>\$ 353,535</u>

- (b) Included in government funding for the year ended March 31, 2022 is an amount of \$92.0 million (2021 - \$86.2 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 \$55.1 million (2021 - \$52.4 million), under the Youth Criminal Justice Act; and \$36.9 million (2021 - \$33.8 million) for Immigration and Refugee cases.
- (c) LAO received \$7.0 million in funding for the IT Modernization Project for the year ended March 31, 2022. A total of \$6.2 million of this funding was deferred. \$1.9 million of the deferred funding is for two (2) projects that started in fiscal 2022/23, and \$4.3 million of the deferred funding is the unamortized capital cost of the IT Modernization project spent in fiscal 2021/22. Revenue will be recognized at the same rate as the project's amortization expense.

Notes to Financial Statements

For the Year Ended March 31, 2022

2. Expenses by Object

The table below provides totals for each expense category:

	2022 (\$000's)	2021 (\$000's)
Certificates	\$ 196,359	\$ 158,578
Duty Counsel per diem	16,394	10,146
Clinic funding	94,205	94,863
Other transfer payments	2,295	2,018
Salaries and benefits	114,746	111,747
Leases	4,442	4,816
Bad debts, amortization and other expenses	<u>19,612</u>	<u>14,187</u>
	<u>\$ 448,053</u>	<u>\$ 396,355</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, 2022

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, 2022 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 49,509	\$ 109	\$ 288	\$ 111	\$ 49,001
Less: impairment allowance	<u>(28,403)</u>	<u>(43)</u>	<u>(184)</u>	<u>(37)</u>	<u>(28,139)</u>
	<u>\$ 21,106</u>	<u>\$ 66</u>	<u>\$ 104</u>	<u>\$ 74</u>	<u>\$ 20,862</u>

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>

Represented by:

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

2022 (\$000's)	2021 (\$000's)
5,160	8,340
<u>15,946</u>	<u>17,622</u>
<u>\$ 21,106</u>	<u>\$ 25,962</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

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, 2022 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 1,780	\$ 1,777	\$ -	\$ -	\$ 3
DOJ protocol cases	156	156	-	-	-
HST receivable	7,491	2,866	2,183	2,371	71
Law Foundation of Ontario	4,937	4,937	-	-	-
Other receivables	<u>56</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>42</u>
Total other receivables	<u>\$ 14,420</u>	<u>\$ 9,750</u>	<u>\$ 2,183</u>	<u>\$ 2,371</u>	<u>\$ 116</u>

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>

Notes to Financial Statements

For the Year Ended March 31, 2022

4. Investments

	2022 (\$000's)	2021 (\$000's)
Guaranteed investment certificates	\$ 51	\$ 25,051
Accrued interest	-	108
	<u>\$ 51</u>	<u>\$ 25,159</u>

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, 2022 are in compliance with the statutory requirements. Short-term investments held of \$0.051 million (2021 - \$25.1 million) are invested at various rates from prime less 2.2% up to 1.25%. The Corporation earned investment income of \$0.2 million in 2022 (2021 - \$0.3 million).

5. Capital Assets:

	Office Furniture & Equipment	Computer Hardware	Leasehold Improvement	Enterprise Wide Software	Total
2022 (\$000's)					
Cost					
Balance, open	\$ 145	\$ 2,101	\$ 2,663	\$ 15,628	\$ 20,537
Additions	7	742	-	4,752	5,501
Disposals	-	(289)	(371)	-	(660)
Balance, close	<u>152</u>	<u>2,554</u>	<u>2,292</u>	<u>20,380</u>	<u>25,378</u>
Accumulated Amortization					
Balance, open	62	920	1,580	15,628	18,190
Amortization	30	643	188	670	1,531
Disposals	-	(289)	(371)	-	(660)
Balance, close	<u>92</u>	<u>1,274</u>	<u>1,397</u>	<u>16,298</u>	<u>19,061</u>
Net book value	<u>\$ 60</u>	<u>\$ 1,280</u>	<u>\$ 895</u>	<u>\$ 4,082</u>	<u>\$ 6,317</u>
2021 (\$000's)					
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>

Capital assets under development of \$4,366 is included in the Enterprise Wide Software.

Notes to Financial Statements

For the Year Ended March 31, 2022

6. Accounts Payable and Accrued Liabilities

	2022 (\$000's)	2021 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 17,208	\$ 13,322
- estimate of work performed but not yet billed	69,100	68,600
Rent inducements	1,393	1,608
Trade and other payables	5,890	6,164
Vacation pay	5,821	6,536
	<u>\$ 99,412</u>	<u>\$ 96,230</u>

7. Deferred Capital Contributions

The change in the deferred contributions balance is as follows:

	2022 (\$000's)	2021 (\$000's)
Balance, beginning of year	\$ -	\$ -
Add: Contributions for capital assets	6,781	-
Less: Amount recognized as revenue in the year	(608)	-
	<u>\$ 6,173</u>	<u>\$ -</u>

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:

	2022 (\$000's)	2021 (\$000's)
Balance, beginning of year	\$ 2,347	\$ 2,167
Purchase of capital assets	5,501	1,073
Amortization	(1,531)	(893)
Balance, end of year	<u>\$ 6,317</u>	<u>\$ 2,347</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

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 Section 5 of the *Legal Aid Services Act, 2020*. 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.

	2022 (\$000's)	2021 (\$000's)
Payments to and on behalf of clinics	\$ <u>91,323</u>	\$ <u>88,803</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)
2023	\$ 1,935	\$ 2,406	\$ 38	\$ 4,379
2024	1,842	2,329	12	4,183
2025	1,820	2,282	4	4,106
2026	1,518	2,067	1	3,586
2027	1,467	2,057	-	3,524
Thereafter	<u>3,127</u>	<u>4,126</u>	<u>-</u>	<u>7,253</u>
	\$ <u>11,709</u>	\$ <u>15,267</u>	\$ <u>55</u>	\$ <u>27,031</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

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 \$0.4 million (2021 - \$0.3 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 924 (2021 - 944) employees. Pension expense for the year relating to this component of the plan was \$8.6 million (2021 - \$7.9 million).

Defined Benefit Component

The defined benefit component of the plan covers a total of 15 employees; there is 1 active participant (2021 - 1) and 14 retirees (2021 - 14). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employee, which is zero as at March 31, 2022 (2021 - one year). 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, 2022

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 an increase of \$0.5 million (2021 - decrease of \$0.2 million).

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

	2022 (\$000's)	2021 (\$000's)
Accrued benefit obligation	\$ 3,469	\$ 3,546
Fund assets at market value	<u>4,743</u>	<u>4,830</u>
Funded status - plan surplus	1,274	1,284
Unamortized net actuarial loss (gain)	<u>-</u>	<u>(530)</u>
Net Pension asset	<u>1,274</u>	<u>754</u>
Valuation allowance, beginning of year	(754)	(925)
(Increase) decrease valuation allowance	<u>(520)</u>	<u>171</u>
Valuation allowance, end of year	\$ <u>(1,274)</u>	\$ <u>(754)</u>

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

	2022 (\$000's)	2021 (\$000's)
Current period benefit cost	\$ 8	\$ 7
Amortization of actuarial losses (gains)	(454)	226
Interest revenue	<u>(67)</u>	<u>(26)</u>
	\$ <u>(513)</u>	\$ <u>207</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

11. Pensions (continued)

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

	2022	2021
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:

	2022 (\$000's)	2021 (\$000's)
Employer contributions	\$ 6	\$ 36
Employee contributions	3	3
Benefits paid	\$ 268	\$ 268

Notes to Financial Statements

For the Year Ended March 31, 2022

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, 2022.

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

	2022	2021
Discount rate	2.60%	4.00%
Inflation	2.58%	1.75%

The Corporation's pension expense for the year for this plan was \$0.18 million (2021 - \$0.11 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2022 was \$2.77 million (2021 - \$2.28 million). During the year, the Corporation made \$0.16 million (2021 - \$0.11 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2022 (\$000's)	2021 (\$000's)
Accrued Pension Liability		
Supplementary Executive Benefit Plan	\$ <u>2,772</u>	\$ <u>2,284</u>

Notes to Financial Statements

For the Year Ended March 31, 2022

12. 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 Law Foundation of Ontario (LFO) revenue has fluctuated historically, rising and falling due to the economic conditions, which is beyond LAO's control. Bank of Canada (BoC) has raised the overnight interest rates and is expected to increase the interest rates again to combat inflationary pressures. Management expects these BoC actions will help LAO's cash flow position as the LFO revenue will increase. To manage liquidity risks, LAO is currently working on a range of revenue options with the Ministry of Attorney General to ensure that LAO gets stable funding for future years. In the event stable funding is not available, LAO's level of services to its clients may be impacted and reduced.

13. Contingency Reserve Fund

The Legal Aid Services Act, 1998, required 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 \$20.0 million, which was funded by the Corporation. The \$20.0 million was fully depleted by fiscal year 2017.

The new Legal Aid Services Act, 2020 came into force in October 2021. Under section 5 of Ontario Regulation 672/21, the Corporation is required to pay into a contingency reserve fund when the Corporation is able to do so without affecting the provision of legal aid services.

At March 31, 2022, there was no balance in the Contingency Reserve Fund (2021 - \$nil)

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