

Table of Contents

Letter to the Minister	2
Message from the Chair	4
Message from the CEO	5
Historical Overview	6
Statutory Mandate	6
Summary of Facts and Figures	7
Total number of people assisted	7
Expenses	7
Revenue	7
Certificate Program	8
Duty Counsel Program	10
Community Legal Clinic Program	11
Other Programs and Services	12
Board of Directors and Committees	13
Senior Management Committee	14
Management's Responsibility for Financial Information	15
Financial Statements	16
Auditor's Report	17
Balance Sheet	18
Statement of Operations	19
Statement of Cash Flows	21
Summary of Significant Accounting Policies	22
Notes to Financial Statements	24
Future Commitments of the Accumulated Surplus	30
Salary Disclosure	31

Message from the Chair

Legal Aid Ontario (LAO) is continuing to make progress on initiatives for change; focusing on expanded services to clients, renewing relationships with service providers, and improving our management structure and systems.

This year, the board of directors approved the first four-year strategic plan for the organization. The plan which was based on extensive stakeholder consultation and input, identifies ten key corporate initiatives. As part of this year's plan, we are beginning to develop performance measures. This will allow people to gauge how LAO's performance compares with the vision set in our strategic plan and the commitments made in our annual business plans.

Improving services to our clients is our top priority and so we have placed client needs at the centre of legal aid service planning. The clinic expansion program will soon allow people in every area of the province to visit a local community legal clinic to get help with legal problems such as housing, social assistance, pensions, workers' compensation and employment insurance. Over the next year we will continue to improve clinic services for our clients and will open two new specialty clinics in income security and tenant advocacy; five new general clinics in areas that have never had access to clinic services; a French language clinic in Toronto; and, continue with client needs assessments in other areas of the province.

This year LAO began to develop a business case to persuade the government of the need for an increase in the tariff. Our objective is to ensure that LAO can continue to provide high-quality service to clients and retain a sufficient pool of high-quality private bar lawyers, willing to do legal aid work. A great deal of work has already gone into the business case and we are looking forward to working with our partners, law associations and other stakeholders over the next year.

We are also renewing and improving our relationships with service providers. LAO and the Association of Community Legal Clinics of Ontario (ACLCO) made great strides this year toward redefining our respective roles and responsibilities through the drafting of a new clinic Memorandum of Understanding and we are looking forward to completing this initiative.

As promised, Legal Aid Ontario is investing in new technology to better serve our clients and service providers. LAO is putting special emphasis on much-needed business reengineering and technological improvements to implement new service initiatives.

LAO is on track to improve efficiency and services. By extending quality assurance to all legal aid services, managing our resources efficiently, improving information technology and communicating effectively, we will become a fully client-centred provider of quality legal services.

We are extremely pleased with the progress we have made towards revitalising legal aid services in Ontario. The strong commitment of the board, the management and the staff of LAO and clinics will ensure that Legal Aid Ontario continues to be a leader in North America in providing access to justice for low-income individuals.

On behalf of the Legal Aid Ontario Board of Directors, I would like to thank Bob Holden for his dedication, commitment and outstanding contribution to Legal Aid over the past 17 years. His leadership carried Legal Aid through some very good years, and some very difficult ones. I would also like to thank Joana Kuras, for her vision and commitment to the clinic system over the past eleven years. Their excellent contribution to this important work will not be forgotten.

In the coming years, we are looking forward to the expert leadership of our new President and CEO, Angela Longo. We are confident that Ms. Longo and the senior management team have the skills and commitment necessary to continue Legal Aid Ontario as a world leader in client services.

Honourable Sidney B. Linden
Chair

Message from the CEO

In the short time since I joined Legal Aid Ontario, I have quickly come to appreciate the dedication and commitment of the staff, the clinic system and the private bar service providers across the province in assisting low income individuals and families.

Legal Aid's thirty years of service is a tremendous platform upon which to build our new agency. In the new agency, we have the opportunity to explore new service and support mechanisms to complement the clinic and judicare systems. We will introduce electronic services, where appropriate, to streamline processes and continuously improve our direct client service.

We will work towards building a service organization that assists the widest range of clients possible with a strong customer service focus. The new directions for LAO require strengthening management, communications, policy and partnership capabilities over the coming months. While we work towards high quality front line services to clients, we will also support and value the staff in their work.

I am looking forward to the coming years, as we work towards becoming an organization that is regarded as a leader in high quality, customer friendly legal aid service.

Angela Longo
President & CEO

Historical Overview

The Ontario government introduced the *Legal Aid Services Act* in late 1998, creating an independent agency called Legal Aid Ontario (LAO). The purpose of the new corporation is to promote access to justice throughout Ontario for low-income individuals.

This new corporation is committed to identifying, assessing and recognizing the diverse legal needs of low-income individuals and disadvantaged communities. LAO provides legal aid services by building on the foundation of judicare and clinics, certificates, staff offices, duty counsel, community legal clinics, student legal aid services societies, public legal education, legal advice, and self-help materials.

First offered in 1951 for criminal cases, legal aid today is available across Ontario, to lower-income people for a variety of legal problems, including criminal matters, family disputes, immigration and refugee hearings and poverty law issues such as landlord/tenant disputes and employment insurance.

Every Ontario resident and, in certain cases, non-residents requiring legal assistance can apply. Eligibility is based on financial need and the type of case. The applicant may pay nothing or a portion of the costs of the legal aid, depending on their financial situation.

The Ontario Legal Aid Plan flourished in the 1970's and 1980's with many expansions in services. By the 1990's however, a budget crisis forced severe reductions in services. In response to the crisis, the Ontario government appointed law professor John McCamus to head a review of the Ontario Legal Aid Plan. A Blueprint for Publicly Funded Legal Services, the Report of the Ontario Legal Aid Review, was released in September 1997 and recommended the creation of an independent body to govern the Plan. The report also recommended experimentation with service delivery models such as the use of staff lawyers, contracting and wider use of duty counsel, with more focus on serving client needs. This report led to the introduction of legislation to create Legal Aid Ontario.

With guaranteed, stable funding for three years from the government, Legal Aid has been able to begin expanding services moderately, beginning in 1997 and 1998. In 1999, the new Board of LAO approved 29 new service initiatives based on consultations with various stakeholders of legal aid. These initiatives are designed to improve or expand legal aid services and access to those services. The first of these initiatives will be implemented early in the 2001 fiscal year.

Legal Aid Ontario - Statutory Mandate

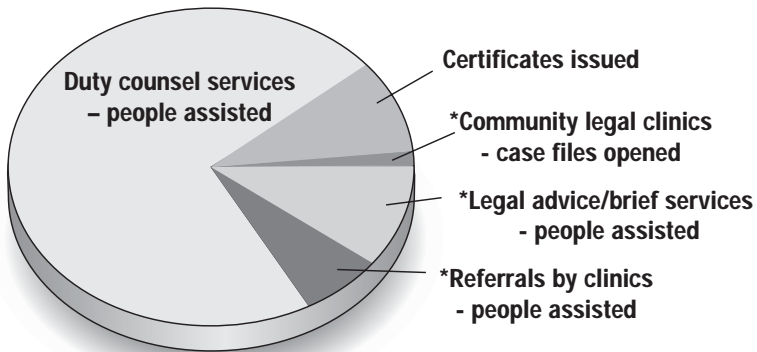
The Legal Aid Services Act (1998) establishes the following mandate for LAO:

- 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

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

Summary of Facts and Figures

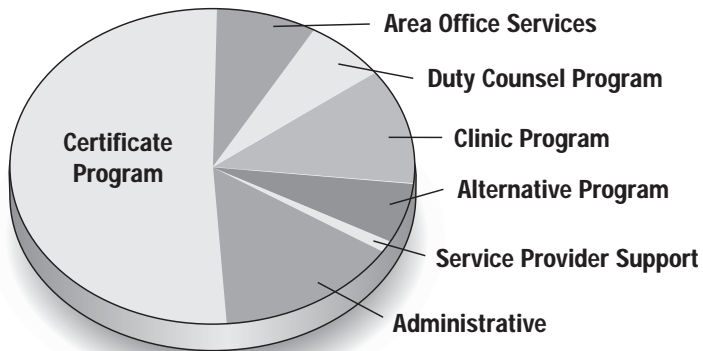
Legal Aid Ontario assisted 992,839 people in 2000/2001.



ASSISTED	
Certificates issued	117,549
Duty counsel services - people assisted	675,813
*Community legal clinics - case files opened	16,607
*Legal advice/brief services - people assisted	123,727
*Referrals by clinics - people assisted	59,143
Total	992,839

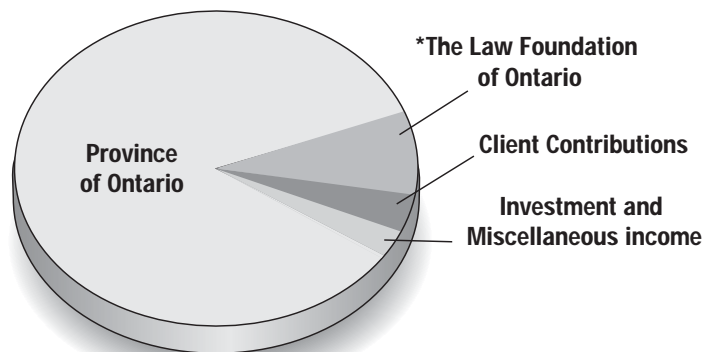
(*The clinic statistics are based on the calendar year 2000)

The total cost of Legal Aid Ontario was \$247.9 million.



EXPENSES		\$ (000's)
Certificate Program		\$123,402
Area Office Services		\$20,290
Duty Counsel Programs		\$18,941
Clinic Program		\$45,269
Alternative Program		\$10,715
Service Provider Support		\$2,296
Administrative		\$27,016
Total		\$247,929

Legal Aid Ontario received \$249.5 million in revenues.



REVENUE		\$ (000's)
Province of Ontario		\$201,626
*The Law Foundation of Ontario		\$30,964
Client Contributions		\$8,399
Judgments, costs and settlements		\$1,392
Investment and Miscellaneous income		\$7,163
Total		\$249,544

*The Law Foundation

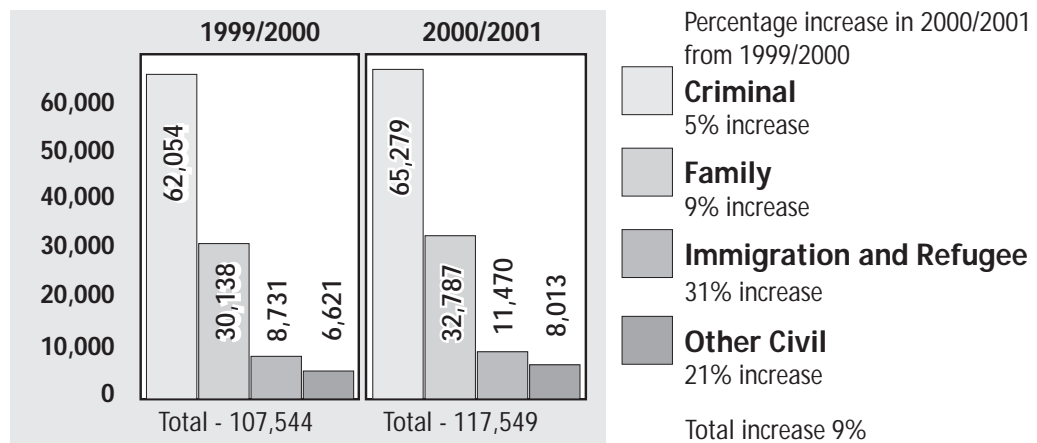
Represents the interest that accumulates in lawyers' mixed trust accounts. The Law Foundation collects the interest in accordance with its statutory obligation to pay 75 per cent of its revenues to Legal Aid Ontario.

Certificate Program

Legal aid offices in 48 communities receive and process client applications and issue legal aid certificates to financially eligible people. Legal aid certificates allow clients to receive legal services from their choice of a private lawyer or from lawyers employed by Legal Aid Ontario at family law offices and the refugee law office.

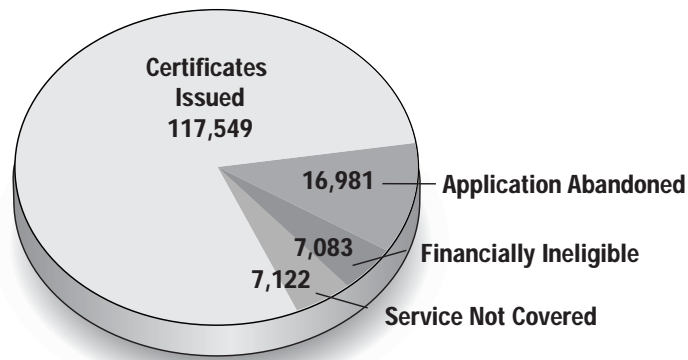
Certificates are available for a variety of legal problems, including specific criminal, family, immigration and refugee matters, and some civil law matters (for example, appeals from Workplace Safety and Insurance Board decisions and mental health law proceedings). The lawyer is then reimbursed by legal aid according to a tariff fixed by government regulation.

Legal Aid Ontario issued 117,549 certificates in 2000/2001.



Applications

148,735 people completed applications for legal aid this year and 117,549 (79 per cent) received a certificate, a nine per cent increase from last year. Only 10 per cent of applicants were refused because they did not meet financial eligibility criteria or the service was not covered, compared to 9.7 per cent from last year. The majority of refusals (11 per cent) occurred because the client abandoned the application, a change from 12.2 per cent in 1999/2000.



Certificate Program

(Continued)

Average Case Costs (old and new tariff)

	1999/00 Amount \$	2000/01 Amount \$
Criminal	1,286	1,298
Family	1,569	1,468
Immigration and Refugee	1,725	1,625
Other Civil	1,202	925
Average	1,379	1,347

Certificate Fees, Disbursements and Administration Fees

	Fees (\$000's)	Disbursements (\$000's)	Administration Fees (\$000's)	Total (\$000's)
Criminal	66,314	4,893	2,374	73,581
Family	35,183	3,282	1,085	39,550
Immigration/Refugee	10,932	2,227	419	13,578
Other Civil	3,861	631	237	4,729
Total Cash Outlay	116,290	11,033	4,115	131,438
Change in Accrued Liability (See Note 5 of Financial Statements)				(8,272)
Settlement Conferences and other adjustments				236
Certificate Program Expense per Financial Statements				123,402

Fees Paid to Lawyers

Amount \$	Number of lawyers	% of total
1-9,999	2,366	51.3 %
10,000-49,999	1,461	31.7 %
50,000-99,999	499	10.8 %
100,000 - 249,999	265	5.7 %
250,000+	20	0.4 %
Total	4,611	100%

Lawyers' annual fees are capped with lawyers at the basic level (less than 4 years experience doing legal aid work in an area of law) able to bill up to \$157,000 in one year. Tier 2 lawyers (with more than 4 and less than 10 years of experience) can bill up to \$177,190 and Tier 3 lawyers (with more than 10 years experience) can bill up to \$196,875.

Fees paid above are based on fees allocated, which means fees paid to the lawyer who actually worked on the case, regardless of who acknowledged the certificate.

Lawyer Experience

Tier level	Tier 1	Tier 2	Tier 3
Certificates	%	%	%
Criminal	14 %	24 %	62 %
Family	22 %	31 %	47 %
Immigration/Refugee	14 %	36 %	50 %
Other Civil	30 %	25 %	45 %
All Certificates	17 %	27 %	56 %

Duty Counsel Program

Duty counsel lawyers are appointed and paid by Legal Aid Ontario to assist clients who are unrepresented in criminal, family and youth court. Duty counsel also provide advice and assistance on legal matters outside the court system and attend fly-in courts in remote northern areas. Clients are subject to a financial eligibility test based on income and assets in order to qualify for some duty counsel services.

In criminal cases, duty counsel advise clients about the charge(s) against them and on court procedure. Duty counsel conduct bail hearings, assist in requesting an adjournment, obtaining a diversion or alternative measures, entering a guilty plea if appropriate, and speaking to sentence.

In family cases, duty counsel are scheduled on motion or other non-trial list days to provide legal advice and in some cases representation in court. Family duty counsel provide advice, review and prepare documents, and represent clients in adjournments, motions and interim hearings in respect of custody and access, pretrials, support enforcement hearings, and settlement negotiations.

Legal Aid Ontario also provides out of court assistance through the Advice Lawyer program. The Advice Lawyer provides general legal advice and reviews legal documents. The Advice Lawyer service is available to financially eligible members of the public between three to four hours per week in over 110 locations across the province.

The number of people assisted by duty counsel this year is 675,813.

Total Assisted	1999/2000	2000/2001
24-hour hotline	35,437	39,635
Salaried	200,123	185,686
Private bar	379,468	450,492
Total	615,028	675,813

Average Cost Per Assist

Duty Counsel Average Cost Per Assist	1999/2000	2000/2001
24-hour hotline	\$ 14.51	\$ 15.86
Salaried	\$ 12.62	\$ 12.40
Private bar	\$ 32.25	\$ 32.70

Community Legal Clinic Program

Community legal clinics are independent non-profit organizations who receive annual funding from Legal Aid Ontario. Each clinic has its own volunteer board of directors and is able to determine its own operational policies within the established policy framework set out by Legal Aid Ontario.

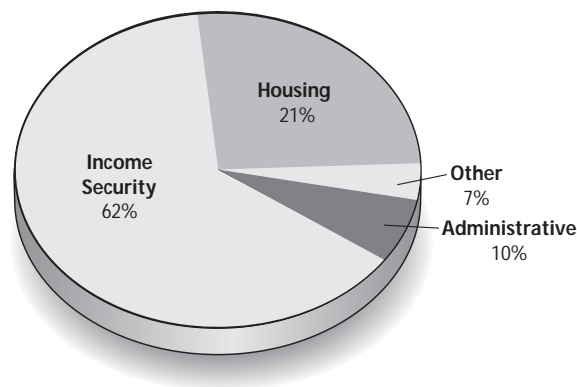
Community legal clinics were first established in the early 1970s to provide legal services, public legal information and community development for low-income and disadvantaged people. Clinics address the

unique legal needs of low-income people who need help with the essentials of life, such as subsistence income and safe housing, and access to the most basic social services, such as education for children.

Income maintenance and housing law remain the core areas of clinic practice, making up the majority of files opened by clinics. However, clinics also provide services in other areas of the law, depending on their local community's needs. The types of cases accepted vary from clinic to clinic.

	1999	2000
Case files opened	15,381	16,607
Referrals	54,209	59,408
Legal advice/brief services	116,162	124,519
Public legal education materials distributed	1,290,596	1,700,830
Law reform files opened	483	498
Community development files opened	841	846

Case Files Opened	16,607	
Housing	3,459	21 %
Income Security	10,227	62 %
Administrative	1,719	10 %
Other	1,202	7 %



(*The clinic statistics are based on the calendar year 2000.)

Other Programs and Services

Nishnawbe-Aski Legal Services

The Nishnawbe-Aski Nation is made up of 44 individual bands and has a population of approximately 26,000. The 44 communities are scattered throughout the remote north of the province, and with a few exceptions, may only be reached by air.

The Nishnawbe-Aski Legal Services Corporation (NALSC) was formed in 1989 to aid in the delivery of legal services. The Corporation is directed by a native Board of Directors and legal services are provided by the private bar.

The Board of Directors of the NALSC, in conjunction with LAO, establishes the policies and priorities of the corporation. Each tribal council has at least one representative on the Board.

The Corporation offers cultural training for members of the private bar who provide legal services and provide public legal education to the people of the Nishnawbe-Aski Nation. Native community legal workers are trained to provide advice and counsel in criminal, family and poverty law. They interview those who are required to appear in court, marshal witnesses, prepare briefs and instruct counsel prior to court.

Pilot Projects

Legal Aid Ontario continued with several pilot projects, including family law offices in Ottawa, Toronto and Thunder Bay. The pilots are designed to experiment with different ways of delivering services, to determine if a mix of service delivery methods can improve service to clients, make the service more accessible or make it more cost effective. The family law offices are full service law offices for clients with legal aid certificates for family law matters.

Extended Duty Counsel service in Hamilton, Oshawa and London provide legal advice and assistance for unrepresented clients in court. Each location is experimenting with a different combination of staff and per diem lawyers to test for maximum efficiency and effectiveness within each community. Final evaluation reports and recommendations are projected for late fall 2002.

This year four pilot projects are coming to completion with final reports and recommendations projected for 2001. The

Refugee Law Office has operated for several years as a pilot, undergoing many changes and responding to evolving demands. Early indications show that the office has developed a unique role within the refugee community and provides a high quality of service at comparable certificate costs. Unbundled Family Services in Simcoe County provides legal advice and support to enable clients to represent themselves. In Welland, Family Case Management is designed to pre-authorize the exact number of hours needed by the lawyer for each item in a family case, based on the specific case. Both programs have operated since July 1998. The Youth Court Counsel program in Sault Ste. Marie, provides an expanded duty counsel service to people charged under the *Young Offenders Act*. This project began in November 1998.

Student Legal Aid Services Societies

As part of Legal Aid Ontario's mixed method of delivering legal aid services, law students at six Ontario universities have the opportunity to volunteer at a student legal aid services society. Student Legal Aid Services Societies (SLASSs) were created in the 1970s through the initiative of law students interested in volunteering their newly acquired skills and knowledge for the benefit of the poor. Each SLASS is directed by the Dean of the Faculty of Law.

SLASSs provide legal services to students and others in their community. The other purpose of the SLASSs is to train law students in the delivery of legal aid services, and educate them on the need for legal services in disadvantaged communities and the role the law plays in such communities. This education and training contributes significantly to maintaining the supply of new lawyers interested in participating in the legal aid system – either as private lawyers accepting legal aid certificates, staff lawyers in a clinic, or system administrators or managers.

System-wide, approximately 500-600 volunteer law students are involved in these programs each year, at varying degrees of intensity. Some students receive academic credit as part of their work.

Approximately 3,000 significant case files per year are completed in the SLASSs and law students deliver summary advice in approximately 15,000 to 20,000 telephone or reception-interview client encounters.

Board of Directors and Committees

LAO BOARD OF DIRECTORS

The Hon. Sidney B. Linden, Toronto Chair
December 1999 - December 2003

Peter B. Bortolussi, Sault Ste. Marie
December 1999 - December 2001

Lynn Michaud, Timmins
December 1999 - December 2001

Janet Bradley, Ottawa
December 1999 - December 2002

W.A. Derry Millar, Toronto
December 1999 - December 2002

Pamela Divinsky, Toronto
December 1999 - December 2002

Harvey T. Strosberg, Windsor
December 1999 - December 2002

Thomas N. Kritsch, Thornbury
December 1999 - December 2001

Beverly Wexler, Kenora
December 1999 - December 2001

Sylvia Maracle, Toronto
December 1999 - December 2002

Gordon Wolfe, Toronto
December 1999 - December 2002

BOARD COMMITTEES

Section 7 of the *Legal Aid Services Act*, states that the LAO Board must establish advisory committees in the areas of criminal, family and clinic law. This section also gives the Board the authority to establish any other advisory committee that it considers appropriate.

The role of the committees is to ensure that stakeholders have input on and access to LAO decisions and that LAO is accountable to stakeholders.

Clinic Committee

Criminal Law Committee

Immigration and Refugee Committee

Family Law Committee

Mental Health Committee

Prison Law Committee

GROUP APPLICATIONS AND TEST CASES COMMITTEE

The Group Applications and Test Cases Committee is an advisory committee whose normal complement is eight volunteer members, including seven lawyers and one law professor. The role of the Committee is to review group applications for legal aid applications for representation at Coroner's inquests and test cases and recommend whether a legal aid certificate should be issued. The committee reviewed 39 applications this year.

AREA COMMITTEES

Area committees play an important role in the administration of legal aid services in Ontario. Volunteer members contribute hundreds of hours in communities across Ontario. Area committees hear appeals from decisions of area directors who have refused or cancelled a legal aid certificate.

Senior Management Committee

President/Chief Executive Officer
Angela Longo

Vice President, Legal Services
George A. Biggar

Vice President, Corporate Services
Michelle Séguin

Vice President, Appeals
Ruth Lawson

Manager, Communications and Public Affairs
Elaine Gamble

Acting Director, Clinic Services Office
Sue McCaffrey

Policy Director
Aneurin Thomas

Management's responsibility for financial information

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

Legal Aid Ontario is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances of the reliability of financial information and that the assets were safeguarded.

The Board ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee of the Board. The Board meets monthly to oversee the financial activities of LAO. On an annual basis, the Board reviews the financial statements and the external auditors' report thereon, and recommend them to the Ministry of the Attorney General.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Angela Longo
President & CEO



Michelle A. Séguin
Vice President,
Corporate Services

August 9, 2001

Financial Statements

FOR THE YEAR ENDED MARCH 31, 2001

Auditors' Report	17
Financial Statements	
Balance Sheet	18
Statement of Operations and Accumulated Surplus	19
Statement of Cash Flows	21
Summary of Significant Accounting Policies	22
Notes to Financial Statements	24-29

Auditor's Report

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2001 and the statements of operations and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of Legal Aid Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "J.R. McCarter".

J.R. McCarter, CA
Assistant Provincial Auditor

Toronto, Ontario
June 15, 2001

Balance Sheet

March 31	2001	2000
ASSETS		(000's)
Current		
Cash and cash equivalents (Note 2)	\$ -	72,814
Accounts receivable (less allowance for doubtful accounts)	12,889	13,883
Prepaid expenses	621	31
Short term investments (Note 3)	1,506	-
	<u>15,016</u>	<u>86,728</u>
Contingency reserve fund (Note 6)	31,889	24,938
Long term investments (Note 3)	63,735	-
Capital assets (Note 4)	9,825	7,427
	<u>\$ 120,465</u>	<u>\$ 119,093</u>
LIABILITIES AND EQUITY		
Current		
Bank indebtedness (Note 2)	\$ 2,109	\$ -
Accounts payable and accrued liabilities (Note 5)	50,512	52,864
	<u>52,621</u>	<u>52,864</u>
Equity		
Accumulated surplus (Note 1(c))	35,955	41,291
Contingency reserve (Note 6)	31,889	24,938
	<u>67,844</u>	<u>66,229</u>
	<u>\$ 120,465</u>	<u>\$ 119,093</u>

On behalf of the Board:



Director

Statement of Operations and Accumulated Surplus

For the year ended March 31	2001	2000
		(000's)
Revenue		
Province of Ontario (Note 1)	\$ 201,626	\$ 230,992
The Law Foundation of Ontario	30,964	21,496
Client contributions	8,399	9,428
Judgements, costs and settlements	1,392	1,379
Miscellaneous income	7,163	5,244
	<u>249,544</u>	<u>268,539</u>
Expenses		
Core Business		
Certificate Program (Note 1)		
Criminal	71,223	62,214
Family	35,471	34,151
Immigration and refugee	12,159	10,083
Other civil	4,380	4,995
Settlement conferences	169	227
	<u>123,402</u>	<u>111,670</u>
Area office services	20,290	18,010
	<u>143,692</u>	<u>129,680</u>
Duty Counsel Program		
Duty counsel fees and disbursements	18,941	16,069
	<u>18,941</u>	<u>16,069</u>
Clinic Program		
Clinic law services (Note 7)	45,269	41,510
	<u>45,269</u>	<u>41,510</u>
Alternative Programs		
Nishnawbe-Aski allocation	1,405	1,280
OFIFC funding	-	76
Family law / pilot projects	2,646	2,219
Refugee law office	698	688
Salaried duty counsel	3,320	2,700
Student legal aid societies	2,646	2,540
	<u>10,715</u>	<u>9,503</u>

Statement of Operations and Accumulated Surplus *(Continued)*

For the year ended March 31	2001	2000
	(000's)	
Expenses		
Service Provider Support		
Research facility	\$ 2,296	\$ 1,955
	<hr/>	<hr/>
Administrative		
Provincial office	23,880	19,936
Business re-engineering and other projects	2,921	-
Other	215	1,899
	<hr/>	<hr/>
	27,016	21,835
	<hr/>	<hr/>
	247,929	220,552
	<hr/>	<hr/>
Excess of revenue over expenses for the year	1,615	47,987
Accumulated surplus , beginning of year (Note 1(c))	41,291	-
Transferred to contingency reserve (Note 6)	(6,951)	(6,696)
	<hr/>	<hr/>
Accumulated surplus , end of year	\$ 35,955	\$ 41,291
	<hr/>	<hr/>

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

Statement of Cash Flows

For the year ended March 31	2001	2000
		(000's)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 1,615	\$ 47,987
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Amortization	5,925	4,888
Gain on sale of investments	(437)	-
Loss on sale of capital assets	67	146
Changes in non-cash working capital balances		
Accounts receivable	994	6,386
Prepaid expenses	(590)	15
Accounts payable and accrued liabilities	(2,352)	(20,640)
Accrued interest on long term investments	(1,361)	-
	<u>3,861</u>	<u>38,782</u>
Investing activities		
Proceeds on sale of capital assets	-	23
Purchase of capital assets	(8,390)	(5,687)
Purchase of investments	(143,781)	-
Redemption of investments	48,449	-
	<u>(103,722)</u>	<u>(5,664)</u>
Net increase (decrease) in cash and cash equivalents (bank indebtedness) during the year	(99,861)	33,118
Cash and cash equivalents, beginning of year	<u>97,752</u>	<u>64,634</u>
Cash and cash equivalents (bank indebtedness), end of year (Note 2)	<u>\$ (2,109)</u>	<u>\$ 97,752</u>
Represented by		
Cash equivalents	\$ 1,970	\$ 77,081
Bank indebtedness	(4,079)	(4,267)
	<u>(2,109)</u>	<u>72,814</u>
Contingency reserve fund	-	24,938
	<u>\$ (2,109)</u>	<u>\$ 97,752</u>

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

Summary of Significant Accounting Policies

March 31, 2001

Nature of Operations

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999.

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

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

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

On April 1, 1999, the Corporation assumed responsibility for all the assets and liabilities of the Ontario Legal Aid Plan, administered by the Law Society of Upper Canada.

The net assets transferred from the Ontario Legal Aid Plan were as follows:

	(000's)
Cash	\$ 64,634
Other current assets	20,315
Capital assets	6,797
	<hr/>
Total assets	91,746
Total accounts payable and accrued liabilities	(73,504)
	<hr/>
Net assets transferred	\$ 18,242
	<hr/>

Summary of Significant Accounting Policies

March 31, 2001

Basis of Accounting	The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.								
Revenue Recognition	Revenue is recorded on the basis of amounts contributed to the Corporation for the respective fiscal year ended March 31.								
Expense Recognition	Expenses are recognized on an accrual basis. Legal accounts include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed but not yet billed.								
Capital Assets	<p>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:</p> <table><tr><td>Furniture and office equipment</td><td>- 5 years</td></tr><tr><td>Computer hardware and software</td><td>- 3 years</td></tr><tr><td>Custom-designed software</td><td>- 5 years</td></tr><tr><td>Leasehold improvements</td><td>- over the term of lease</td></tr></table>	Furniture and office equipment	- 5 years	Computer hardware and software	- 3 years	Custom-designed software	- 5 years	Leasehold improvements	- over the term of lease
Furniture and office equipment	- 5 years								
Computer hardware and software	- 3 years								
Custom-designed software	- 5 years								
Leasehold improvements	- over the term of lease								
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.								
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, indebtedness and balances with banks plus highly liquid investments with original maturities of three months or less.								
Financial Instruments	Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.								
Investments	Short term investments are stated at the lower of cost and market value. Long term investments are stated at cost and are written down when there is other than a temporary decline in value.								

Notes to Financial Statements

March 31, 2001

1. Funding by the Province of Ontario

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

The Memorandum of Understanding was signed on December 22, 2000, and is effective until April 1, 2004.

(a) Funding in respect of the year was allocated as follows:

	2001	2000
	(000's)	
Certificates (issued by the Corporation to solicitors that authorize legal services to be provided)	\$ 130,161	\$ 166,847
Administration	26,949	28,544
Independent Community Clinics	44,000	35,085
Family Violence	516	516
	<u>\$ 201,626</u>	<u>\$ 230,992</u>

(b) Included in the revenue from the Province of Ontario for the year ended March 31, 2001 is an amount of \$30.5 million (2000 - \$36.2 million). This represents an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law and the *Young Offenders Act* through a cost-sharing arrangement.

(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) ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

In the fiscal year ended March 31, 2000, the Corporation experienced a \$41.291 million surplus. In June 2000, as part of the presentation of the draft budget for the 2001-2002 fiscal year and financial estimates for 2002-2003 and 2003-2004 fiscal years, the Corporation notified the Ministry of the Attorney General of its accumulated surplus and proposed to use the surplus to fund the modernization of the Corporation's information technology systems and the development of innovative and cost effective services. The Province is supportive of these initiatives and the Cabinet approved the use of the \$41.291 million surplus as required to implement these initiatives. The entire surplus will be available to the Corporation when it requires the funds.

The Corporation expects to utilize the surplus over four years as follows:

	(000's)
2001	\$14,925
2002	11,166
2003	9,200
2004	6,000
	<u>\$41,291</u>

Notes to Financial Statements

March 31, 2001

1. Funding by the Province of Ontario (continued)

As a result, the Cabinet approved that the Corporation retain \$14.925 million for 2000/2001. Of the \$14.925 million approved to be retained for the current year, the Corporation spent \$11.003 million a \$3.922 million under expenditure.

The Province committed to transfer payments to the Corporation of \$227.992 million. On the "Statement of Operations and Accumulated Surplus," the revenue from the Province of Ontario is shown as \$201.626 million. The difference of \$26.366 million relates to the retention of the remainder of the \$41.291 million accumulated surplus of the Corporation as at March 31, 2000.

For the year ending March 31, 2001, the Corporation has retained all of its accumulated surplus of \$35.955 million.

2. Cash and Cash Equivalents (Bank Indebtedness)

	2001	2000
	(000's)	
Cash and cash equivalents	\$ 1,970	\$ 77,081
Bank indebtedness	(4,079)	(4,267)
	<u>(2,109)</u>	<u>\$ 72,814</u>

The Corporation holds treasury certificates of \$0.73 million as at March 31, 2001, which will mature in fiscal 2002 and bear interest between 4.75% and 4.93% per annum. Effective December 1, 2000, the Corporation engaged the services of an investment firm to manage its investment portfolio. As a result, the treasury certificates, term deposits, and bankers acceptances held at March 31, 2000 were transferred into short term and long term investments (see Note 3). The investment firm actively manages the portfolio. Therefore, these investments will not necessarily be held to maturity but may be traded based on the Corporation's cash requirements.

Notes to Financial Statements

March 31, 2001

3. Long Term Investments

Investments consist of the following:

	2001		2000	
	Cost	Market (000's)	Cost	Market (000's)
Canada bonds Interest rates from 5.0% to 6.0%, maturing from June 2002 to June 2009	\$ 35,947	\$ 36,401	\$ -	\$ -
Provincial bonds Interest rates from 4.875% to 9.75%, maturing from April 2002 to June 2005	41,197	41,654	-	-
Corporate bonds Interest rates from 5.4% to 7.1%, maturing from January 2002 to September 2004	16,711	16,893	-	-
Mortgage backed security Interest rate 5.0%, maturing February 2003	1,914	1,913	-	-
Accrued bond interest	1,361	1,361	-	-
	<u>97,130</u>	<u>98,222</u>	<u>-</u>	<u>-</u>
Less: Contingent reserve (Note 6)	(31,889)	(32,248)	-	-
	<u>\$ 65,241</u>	<u>\$ 65,974</u>	<u>\$ -</u>	<u>\$ -</u>

Represented by	Cost	Market	Cost	Market
Short term investments	\$ 1,506	\$ 1,517	\$ -	\$ -
Long term investments	63,735	64,457	-	-
	<u>\$ 65,241</u>	<u>\$ 65,974</u>	<u>\$ -</u>	<u>\$ -</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 investments held by the Corporation as at March 31, 2001 are in compliance with the statutory requirements. The Corporation earned investment income of \$6.951 million in 2001 (2000 – \$6.696 million).

Notes to Financial Statements

March 31, 2001

4. Capital Assets

	2001		2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(000's)			
Furniture and office equipment	\$ 1,815	\$ 981	\$ 2,056	\$ 600
Computer hardware and software	14,284	7,067	7,446	3,627
Custom-designed software	817	374	817	186
Leasehold improvements	2,328	997	1,996	475
	<u>\$ 19,244</u>	<u>\$ 9,419</u>	<u>12,315</u>	<u>4,888</u>
Net book value		<u>\$ 9,825</u>		<u>\$ 7,427</u>

Included in capital assets is approximately \$3,540,000 of computer hardware and software which was not in use as at the year end, therefore, no amortization expense has been taken. Approximately \$2,398,000 of the assets not in use represent capital assets acquired on behalf of the community clinics which will be provided to the clinics as part of their funding requirement in fiscal 2002.

5. Accounts Payable and Accrued Liabilities

	2001	2000
	(000's)	
Legal accounts -billings received after March 31,2001	\$ 12,854	\$ 7,887
-work performed but not yet billed	26,800	40,039
Rent inducements	584	804
Trade and other payables	9,524	3,494
Vacation pay	750	640
	<u>\$ 50,512</u>	<u>\$ 52,864</u>

At year end, management estimates the liability for work conducted by private solicitors that has not yet been billed by these solicitors to the Corporation to be \$26.8 million (2000 - \$40.039 million). This estimate uses a methodology that incorporates average costs and time frames for similar cases over a period of 7 years.

Due to the uncertainty involved in the estimation process, there will likely be a difference between the estimated and actual liability. In the opinion of management the actual liability will fall within a range of plus 20% to minus 20% (\$21 million to \$32 million). Any adjustment of the estimated liability would result in a corresponding increase or decrease in expenses for "core business", the "excess of revenue over expenses for the year" and the "accumulated surplus".

Notes to Financial Statements

March 31, 2001

6. Contingency Reserve

Under the Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*, the Corporation is required to maintain a \$20 million contingency reserve. Section 6 of the regulation also allows the reserve to be increased by interest earned. The contingency reserve is made up as follows:

	2001	(000's)	2000
Balance, beginning of year	\$ 24,938	\$	-
Net assets transferred to the Corporation April 1, 1999	-		18,242
Transfer to contingency reserve from operations	6,951		6,696
	<u>31,889</u>		<u>24,938</u>
Balance, end of year (Note 3)	<u>\$ 31,889</u>	\$	<u>24,938</u>

7. Funding of Independent Community Clinics

The Corporation provides funding to community clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital each 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 are required to provide audited financial statements to the Corporation for the funding period.

The total consists of:

	2001	(000's)	2000
Payments to and on behalf of clinics	\$ 42,397		\$ 38,648
Administrative costs	2,872		2,862
	<u>45,269</u>		<u>41,510</u>
	<u>\$ 45,269</u>		<u>\$ 41,510</u>

Notes to Financial Statements

March 31, 2001

8. Commitments

(a) Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2001 there is an amount of approximately \$55 million that could still be incurred on certificates over and above the billings received to date and the Corporation's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The minimum annual commitments under these leases for the next five years are approximately as follows:

	Amount (000's)
2002	\$ 6,342
2003	4,650
2004	1,766
2005	1,331
2006	978
	<hr/>
	\$ 15,067

(c) For the three consecutive fiscal years 2000 to 2002, Subsection 66(5) of the *Legal Aid Services Act*, 1998 requires the Corporation to allocate to the Independent Community Clinics (see Note 7) an amount not less than \$34.9 million annually, the amount allocated to the clinics by the Attorney General in the 1999 fiscal year.

9. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has two components, a defined contribution component and a defined benefit component.

The Corporation makes pension contributions to the defined contribution component of the plan, which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to the component of the plan was \$906,940.

The defined benefit component of the plan is subject to actuarial valuations at intervals of not more than three years. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary. The most recent actuarial valuation was made upon transfer of the plan as at April 1, 1999. The valuation of the plan at that time indicated an excess actuarial surplus of \$564,200, resulting from pension obligation of \$1,231,000 and plan assets of \$1,795,300. The Corporation made no pension contribution to this component of the plan in the current year.

10. Comparative Figures

The prior year figures have been reclassified in order to conform with the current year presentation.

Future Commitments of the Accumulated Surplus Year Ended March 31, 2001

For the year ending March 31, 2001, the Corporation has retained all of its accumulated surplus of \$35.955 million.

The corporation has committed \$16.4 million against the following future expenditures:

A. Deferred Expenditures

1) In 2000/2001, the Corporation retained \$14.9 million of its 1999/2000 surplus. The Corporation spent \$11.0 million, representing a delay in expenditure of \$3.9 million which is planned to be spent in 2001/2002

2) Future amortization of capital assets \$7.0 million.

B. Approved Expenditures

The LAO Board approved setting aside \$5.5 million for Clinic information technology and other infrastructures requirements.

The corporation identified the following pressures for 2001/2002 and 2002/2003. Should these pressures be experienced without additional funding, the corporation proposes to use its accumulated surplus to offset these costs.

A. Certificate Cost Increase

Cost of certificates issued in 2000-2001 and prior years to be paid for in 2001-2002 and 2002-2003 over current funding levels, \$13.0 million.

B. Refugee Program

1) Increased demand (estimated at this time) for refugee services to be paid for in 2001-2002 and 2002-2003 over current funding levels, \$6.0 million.

2) Anticipated proclamation of new Immigration Act (Bill C-11) anticipated in 2002 includes a new paper appeal process which could increase refugee costs by an estimated \$6.0 million over 2002-2003 and 2003-2004 over current funding levels.

This note does not form part of the audited financial statements.