

Legal Aid NL Annual Report 2018-19



LEGAL AID NL

REAL LAWYERS FOR REAL PEOPLE



Message from the Chair

As Chair of the Newfoundland and Labrador Legal Aid Commission (“the Commission” or “Legal Aid NL”), I am pleased to present the Commission’s Annual Report which outlines the activities completed during the fiscal year April 1, 2018 to March 31, 2019. This report was prepared under my direction and in accordance with the provisions of the **Transparency and Accountability Act**. This report includes the audited financial statements of the Legal Aid Commission as prepared by the Auditor General’s Office.

The Commission is classified as a Category 3 Government Entity and, as such, must prepare an annual report which presents information on the activities of the entity carried out during the preceding fiscal year in compliance with its mandate. The Board of the Legal Aid Commission is accountable for the results reported. I, Timothy Chalker, the Chair of the Commission, accept accountability on behalf of the entire Board.

The Commission operates under the **Legal Aid Act**, which allows for the provision of legal counsel to represent eligible residents of the province of Newfoundland and Labrador who are charged with offences under the Criminal Code of Canada, other federal and provincial statutes, and people who have family disputes or other civil matters. Legal counsel may be appointed for non-residents either through the Legal Aid Plan of the province in which they reside or Legal Aid NL. Duty Counsel Services are provided to residents, as well as to visitors to the Province.

As outlined in our 2018-19 Annual Report, the Commission has made significant progress in support of its strategic objective of enhancing client service delivery. Many of the established indicators of success were achieved and work is ongoing in the following key focus areas:

- Developing a new model for financial eligibility assessments
- Improving public awareness
- Promoting professional development opportunities for employees

I would like to take this opportunity to acknowledge the contributions of my fellow members of the Board and the staff of the Commission for their dedication and accomplishments during the year. I look forward to our continued success into the 2019-20 fiscal year.



Timothy Chalker, Q.C., Chair

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Background and Overview

Legal Aid NL is a publicly funded, independent organization established in 1976 by the **Legal Aid Act** (“the Act”) to assume responsibility for the Legal Aid Plan. Prior to this, a committee of the Law Society of Newfoundland and Labrador administered the Legal Aid Plan.

The services of the Commission are an essential component of a fair and accessible justice system in the province of Newfoundland and Labrador. The Commission responds to the needs of those whose means or capacity are compromised, as well as the general public in certain instances, by providing high quality, innovative and collaborative legal services through a staff solicitor model.

Eligibility for full service legal aid representation is dependent upon an applicant meeting the financial and legal eligibility requirements specified in the Act and the **Legal Aid Regulations** (“the Regulations”). Once an applicant is approved, services are provided by solicitors employed full time with the Commission in approximately 99 per cent of the cases, and by solicitors in private practice in those remaining. Private solicitors are paid on a fee-for-service basis in accordance with the tariff (hours and rates) found in the Regulations.

The Commission also delivers services, without the need for financial eligibility, through solicitors, by way of:

- Duty counsel on criminal law matters before the provincial and youth courts;
- Duty counsel on family law matters in the Supreme Court of Newfoundland and Labrador-Family Division in St. John’s; and
- Brydges counsel, whereby a solicitor can be reached toll-free, 24 hours a day, seven days a week, to provide advice to people upon arrest, detention, or questioning by a peace officer.

A Board of Commissioners made up of nine members manages the affairs of the Commission. The Deputy Minister of Justice and Public Safety and the Provincial Director of Legal Aid, or their designate, serve as ex-officio members of the Board. The remaining seven Commissioners are appointed by the Lieutenant Governor in Council; three of whom are appointed from a list of nominees by the Law Society. The Lieutenant Governor in Council designates one of the Board of Commissioners as Chair. Members of the Board of Commissioners as of March 31, 2019 were:

Timothy J. Chalker, Q.C., Chair
Mark Duggan
Greg French, Q.C.
Allison Hagerty

Donna Strong
Allison Whelan
Rodney Zdebiak

Ex-officio members:

Rolf Pritchard, Q.C., Assistant Deputy Minister
Nicholas Summers, Provincial Director

Legal Aid Offices and Staff

During the fiscal year 2018-19, Legal Aid NL employed a Provincial Director, two Deputy Provincial Directors, a Legal Services Solicitor, 67 Solicitors, two Social Workers, four Paralegals, one Risk Assessment Officer, 52 support staff, and four Community Workers.¹ These positions were spread out across a network of 18 offices, including the provincial head office, 12 area offices, and five project offices.

Through the five project offices, Legal Aid NL delivers the following services:

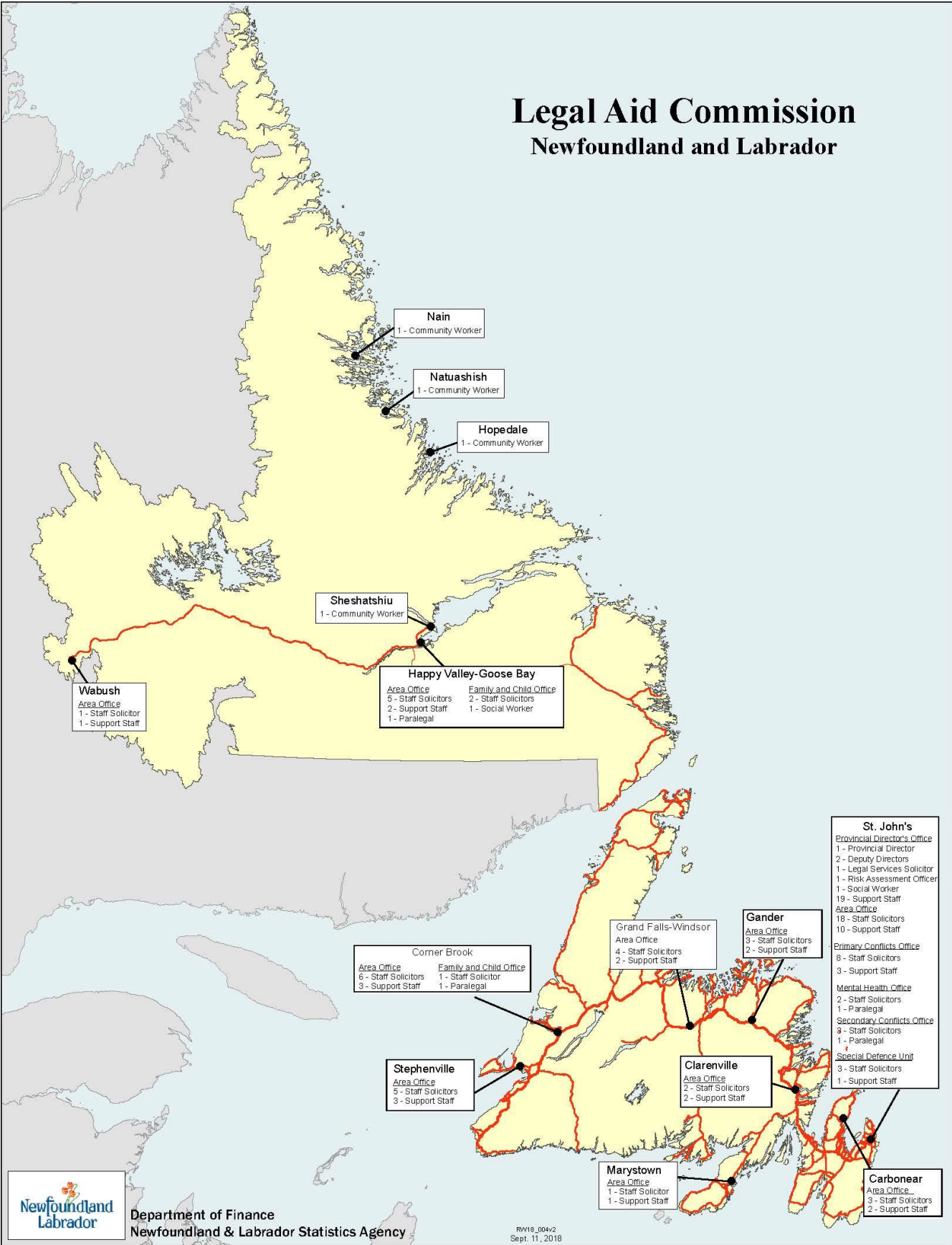
- The **Mental Health Office** works collaboratively with Eastern Health to assist clients in obtaining legal representation in the Mental Health Court, appearing before the Criminal Code Mental Disorder Review Board, the Mental Health Care and Treatment Review Board, as well as in the traditional court system. The Commission and Eastern Health take a multidisciplinary approach to client service in resolving legal and related issues which allows for the delivery of timely, comprehensive and holistic services to individuals who struggle with mental illness. By providing legal assistance through this office, clients with mental health issues, who often face significant barriers to justice, have access to the civil rights to which they are entitled.
- The **Family and Child Offices** are located in Happy Valley-Goose Bay and Corner Brook. Their role is to assist parents of children taken into care by the Department of Children, Seniors and Social Development (CSSD), to respond to the concerns of CSSD, to assist parents in accessing the supports they need, and to work towards the reunification of the family, where possible. Each office has a combination of lawyers, social workers, and paralegals.
- The **Family Duty Counsel Office** is located in St. John's at the Family Division of the Supreme Court of Newfoundland and Labrador. This is a no-fee service for people with family law matters, who do not already have a lawyer. Duty Counsel provides basic advice and speaks on their behalf in straightforward and uncontested court matters.
- The **Special Defence Unit** was established in June 2018 and provides legal services to clients with serious criminal charges. In early 2018, the Act was amended to remove the Choice of Counsel provision, which provided clients with the right to choose a private lawyer on serious charges such as murder and manslaughter. Going forward, clients facing such charges will be represented by lawyers from the Special Defence Unit. The office is staffed with a team of three senior lawyers experienced in dealing with major criminal matters.

¹ This number does not reflect articling students

In addition to the services offered through dedicated offices, Legal Aid NL also supports special projects and initiatives; these include:

- The **Family Violence Intervention Court**, a specialized court established in 2015 and with locations in St. John's and Stephenville. This court serves victims of domestic and intimate partner violence and helps enhance victim safety and offender accountability. The Commission provides a Risk Assessment Officer, based in the Provincial Head Office to assess persons whose cases are being considered for inclusion in the Family Violence Intervention Court. Further, solicitors from the St. John's Primary Conflict Area Office and the Stephenville Area Office handle the provision of advice and representation to accused persons.
- The **Aboriginal Project**, focuses on working with Aboriginal communities to improve access to justice and the quality of legal services for Aboriginal peoples. The Commission provides three part-time and one full-time Community Liaison Worker positions in the towns of Nain, Hopedale, Natuashish, Sheshatshiu and Happy Valley-Goose Bay.
- The **French Speaking Project**, ensures access to French-speaking services. The Commission maintains a roster of solicitors fluent in French to provide legal advice by telephone, in person and, when necessary, conduct trials in French.
- The **Drug Treatment Court**, a specialized court, established in 2019, is intended for offenders with serious drug addictions, who commit non-violent, drug-motivated offences. The Commission's Mental Health Office is supporting this initiative by actively processing referrals and transfers at weekly file meetings and disseminating information with respect to prerequisites for participation.

Legal Aid Commission Newfoundland and Labrador



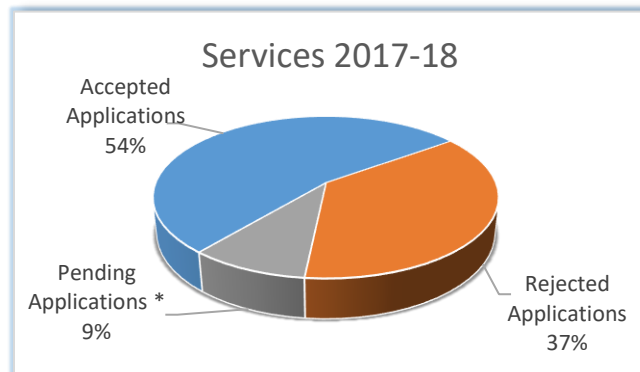
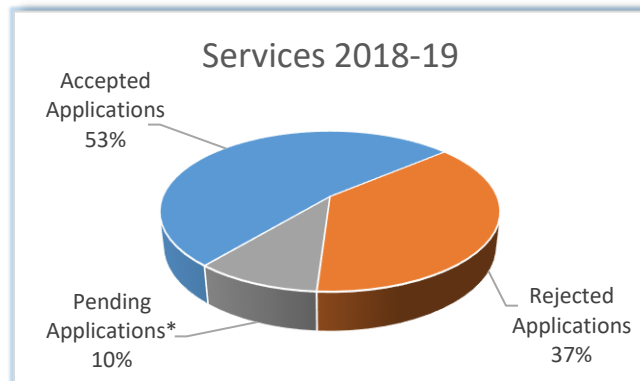
Highlights and Accomplishments

Applications for Legal Services

During the fiscal year ending March 31, 2019, the Commission received 7,918 applications for full service legal representation, representing a four per cent decrease over the previous year. Of those received, 53 per cent (or 4,173 applications) were approved, 37 per cent (or 2,939 applications) were rejected as they did not meet one or both of the financial or legal eligibility criteria, and the remaining 10 per cent (or 806 applications) were pending a decision. The table and charts below show the change in the number of files handled by the Commission in the 2018-19 fiscal year as compared to the previous year.

Applications Processed			
	2018-19	2017-18	change
Accepted Applications	4,173	4,427	-6%
Rejected Applications	2,939	3,010	-2%
Pending Applications *	806	776	3%
Total	7,918	8,213	-4%

* Pending Applications have not yet been approved as additional information is required before a decision can be made as to an applicant's eligibility.



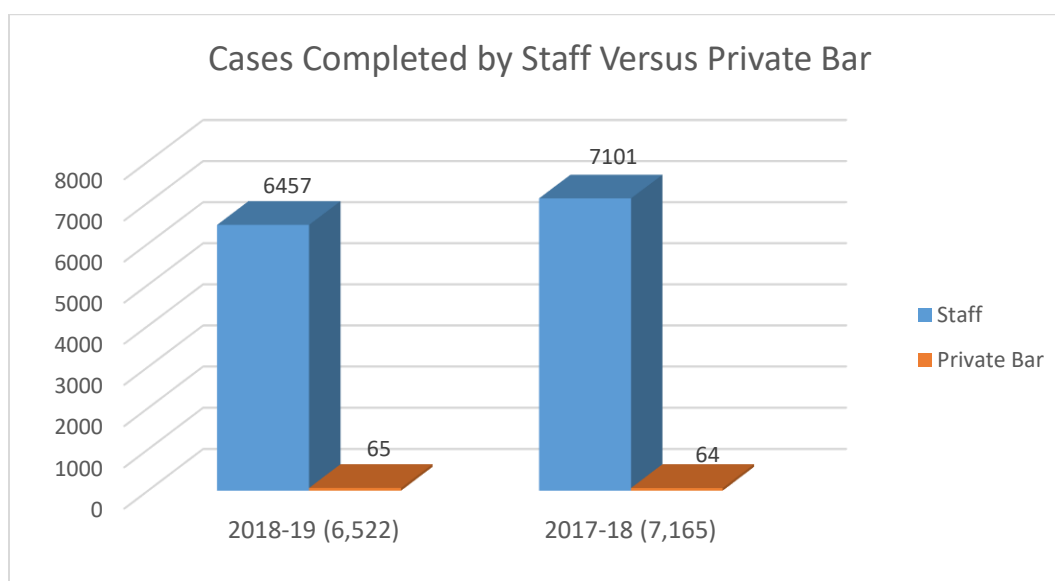
Type of Legal Representation

Legal Aid NL provides a range of legal services to low income individuals primarily in the areas of family and criminal law. During 2018-19, over 60 per cent of the 4,173 applications approved (or 2,541 applications) related to criminal matters; the remaining were made up of 29 per cent civil (1,214 applications), 10 per cent youth (409 applications), and less than one per cent immigration/refugee matters (nine applications). The table below outlines the year-over-year change in types of applications received and approved.

Full Service Legal Representation						
Law Type	2018-19		2017-18		% Change Applications Received	% Change Applications Approved
	Applications Received	Applications Approved	Applications Received	Applications Approved		
Criminal	4,162	2,541	4,311	2,711	-3%	-6%
Youth	459	409	431	377	7%	8%
Civil/Family	3,272	1,214	3,438	1,327	-5%	-9%
Immigration	25	9	33	12	-24%	-25%
Total	7,918	4,173	8,213	4,427	-4%	-6%

Cases Completed

Legal Aid NL primarily uses a staff solicitor model to deliver legal services as opposed to relying on the private bar for service delivery. During the 2018-19 fiscal year, Legal Aid NL provided representation on 6,522 cases. Staff lawyers handled approximately 99 per cent (or 6,457) of the cases completed, with private bar representing the remaining one percent of the cases completed. The chart below shows the year-over-year comparison of the number of cases completed by staff solicitors versus private lawyers.



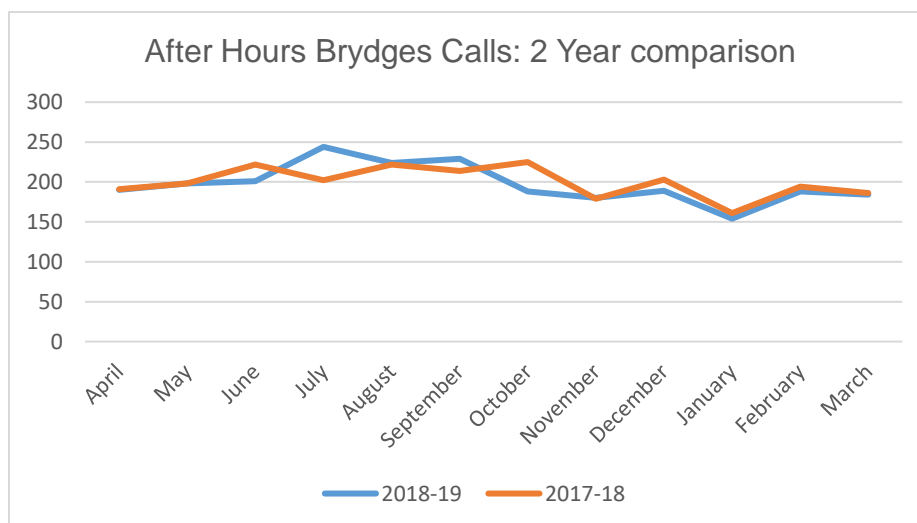
Duty Counsel Services

Duty Counsel at Provincial Court is a no-charge service provided to people on their first appearance before a Provincial or Youth Court Judge. During the 2018-19 fiscal year, Duty Counsel assisted 10,535 clients, including 10,020 adults and 515 youth. The majority of adult clients assisted through Duty Counsel involved matters relating to criminal charges (9,479 clients or 95 per cent of adults). The remaining five percent pertained to family law issues and were assisted by Duty Counsel Solicitors from the Family Division project office.

Duty Counsel			
Client	2018-19	2017-18	Change
Adult			
Criminal	9,479	10,872	-13%
Family	541	717	-25%
	10,020	11,589	-14%
Youth	515	570	-10%
Total	10,535	12,159	-13%

Brydges Counsel Services

Brydges Counsel is an after-hours telephone service offering free legal advice on a 24-hour basis to individuals under arrest and in custody, under active investigation by the police, and who need immediate advice on their Charter rights and criminal law matters. The number of clients assisted by Brydges Counsel in 2018-19 was 2,369 as compared to 2,397 in 2017-18, representing a one per cent decrease over the prior year.



Report on Performance

Strategic Issue: Enhanced Client Service Delivery

During 2018-19, Legal Aid NL continued to support initiatives aimed at enhancing client service delivery. Significant progress was made to build on the work commenced in the previous fiscal year. In mid-2018, Legal Aid NL established a new Special Defense Unit (SDU) that provides dedicated representation to clients with serious criminal charges and eliminates the reliance on the private bar for such expertise. The Commission also made considerable progress on the development of a new financial eligibility model. During the year, a comprehensive evaluation of historical client data was completed in an effort to develop program parameters and standards. In addition, professional development of employees continued to remain a priority for Legal Aid NL in 2018-19. Employees were actively engaged throughout the year to build competencies in areas of law as well as administrative and management skills. Finally, in the latter half of 2018-19 Legal Aid NL launched a new brand identity for the organization in an effort to enhance future public awareness activities.

Goal:	By March 31, 2020, the Legal Aid Commission will have enhanced the client service delivery model.
Indicators:	
Activities to improve client service delivery initiated	
Activities to improve client service delivery continued	
Initiatives to enhance client service delivery implemented	

Objective 1:	By March 31, 2019, the Legal Aid Commission will have continued initiatives to enhance service delivery.	
Indicators:	Actual Results	
Special Defense Unit (SDU) implemented	With Choice of Counsel removed from the Legal Aid Act , the SDU was established in June 2018 with a team of three lawyers experienced in dealing with major criminal matters. The SDU provides dedicated expert legal assistance to clients accused of serious offences such as murder and manslaughter. Since June 2018, the Commission has not issued any certificates involving these matters to the private bar. In addition, SDU lawyers share their expertise with the organization by bringing lawyers from Area Offices as co-counsel, and by offering presentations on topics such as changes to the law and best practices. SDU lawyers have also taken additional files to alleviate the pressure across the Commission.	

<p>New model for Financial Eligibility Standards piloted</p>	<p>Considerable progress was made towards the development of a new Financial Eligibility Standard model in an effort to streamline the application process and reduce the amount of financial information a client must provide to be considered for Legal Aid. During the year, the Commission collaborated with the Economics, Fiscal and Statistics Branch of the Department of Finance to complete a comprehensive evaluation of historical client data and develop a quantitative model for the new Financial Eligibility Standard. While not yet piloted, further client data is being collected and analyzed to finalize the new model, and ensure its successful piloting in 2020.</p>
<p>Employee professional development ongoing opportunities delivered</p>	<p>Employee professional development opportunities were identified and delivered based on staff needs, changes in law, environment and technology. Specifically:</p> <ul style="list-style-type: none"> • The Annual General Meeting (AGM) provided lawyers with 22 hours of continuing legal education in areas including Conflict Resolution, Criminal Practice Management, Trauma-Informed Practice standards, Criminal Code Revisions, Informal Trials and Binding Settlement Conferences, Warrants, Legislative changes, Cannabis legislation, Supreme Court Rules, Bankruptcy alternatives, dependent tax credit, and Orders. • With the National Criminal Law Program Conference held in St. John's this fiscal year, the Commission was able to approve attendance for several of its lawyers, some of whom subsequently presented to colleagues at the AGM. • The Commission supported internal and external training sessions for legal and support staff to update skills and knowledge spanning numerous topics including practice management, managing difficult conversations, trauma, stress, conducting effective meetings, restorative justice, Aboriginal Indigenous law, bankruptcy, bail, mental health, and Drug Treatment Court. • The Commission utilized technology as a cost-optimizing delivery mode for professional development trainings. Lync and Learns, Intranet postings, and Government's Learning Management System (PS Access) were more widely employed. In addition, bi-weekly Area Director / Project Lead meetings via Skype permitted the dissemination of updated practices across Area Offices and Projects. • A new Performance Evaluation System implemented this year will assist in better informing future professional development opportunities.

In the 2019-20 fiscal year, the Commission will continue to evaluate the efficacy of our responsiveness to client needs. To this end, we will further evaluate, develop and implement the new Financial Eligibility Standard Model. We will maintain and build upon efforts to boost public awareness of, and confidence in, the Commission and services available to the people of Newfoundland and Labrador. We will continue to focus on ensuring staff engagement through a revised employee performance evaluation system and in promoting Commission-wide professional development and skill enhancement opportunities.

Objective 2:	By March 31, 2020, the Legal Aid Commission will have implemented initiatives to enhance client service delivery.
Indicators:	
Pilot new Financial Eligibility Standard Model	
Implement public awareness initiatives to increase brand recognition	
Complete performance evaluations to inform professional development planning	

Opportunities and Challenges Ahead

Legal Aid NL has a tremendous opportunity to increase public awareness of Legal Aid programs and services, and improve brand recognition. In March 2019, the Commission launched a new brand with a new logo and tagline that has been well received by external stakeholders, clients, and employees. In the coming years, the Commission will build on the momentum achieved in 2018-19 and expand its public awareness campaign. These efforts will be targeted at building a positive perception of Legal Aid NL in the community and furthering public confidence in the quality of its services. This goal will be achieved by leveraging social media platforms, actively promoting the strengths and experience of our legal team, and overhauling literature on our programs and services.

To ensure a client-focused culture, the Commission will carry on with its efforts towards implementing a streamlined intake process. We will continue to work towards finalizing a new Financial Eligibility Standard that facilitates faster decision making on client applications and improves fairness with respect to eligibility for Legal Aid services.

The Commission recognizes that the promotion of professional development is a catalyst to ensuring employee competency, growth and engagement. The new performance evaluation system offers an excellent opportunity to target future professional development initiatives on an individual basis and address competency gaps through direct feedback and engagement of staff. We will ensure that all employees are actively engaged in the performance review process to support continuous improvement of training and educational opportunities offered throughout the Commission.

**NEWFOUNDLAND AND LABRADOR
LEGAL AID COMMISSION**

FINANCIAL STATEMENTS

MARCH 31, 2019

Management's Report

Management's Responsibility for the Newfoundland and Labrador Legal Aid Commission Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Commission in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Legal Aid Commission.

On behalf of the Newfoundland and Labrador Legal Aid Commission.



Nicholas P. Summers
Provincial Director



Harman Khurana, CPA, CMA
Deputy Director



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Legal Aid Commission
St. John's, Newfoundland and Labrador

Opinion

I have audited the financial statements of Newfoundland and Labrador Legal Aid Commission (the Commission), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of net debt, and statement of 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 the Commission as at March 31, 2019, 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 the Commission 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Independent Auditor's Report (cont.)

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

Management is responsible for the preparation and fair presentation of the 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 Commission'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 management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (cont.)

- 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 the Commission'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 the Commission 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.



JULIA MULLALEY, CPA, CA
Auditor General

July 16, 2019
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION

STATEMENT OF FINANCIAL POSITION

As at March 31

2019

2018

FINANCIAL ASSETS

Cash	\$ 1,110,287	\$ 2,297,982
Accounts receivable (Note 4)	111,490	171,433
	1,221,777	2,469,415

LIABILITIES

Accounts payable and accrued liabilities (Note 5)	2,316,725	2,240,904
Employee future benefits (Note 6)	432,087	1,768,533
	2,748,812	4,009,437

Net debt (1,527,035) (1,540,022)

NON-FINANCIAL ASSETS

Prepaid expenses (Note 7)	327,237	170,550
Tangible capital assets (Note 8)	214,568	231,946
	541,805	402,496

Accumulated deficit \$ (985,230) \$ (1,137,526)

Contractual obligations (Note 9)
Trusts under administration (Note 10)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board:  Chairperson

 Member

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF OPERATIONS

For the Year Ended March 31

	2019 Budget	2019 Actual	2018 Actual
(Note 15)			
REVENUES			
Province of Newfoundland and Labrador			
Operating grants	\$ 16,887,500	\$ 16,887,500	\$ 17,087,500
Law Foundation of Newfoundland and Labrador grant	200,000	374,007	190,085
Legal services	135,000	174,705	210,835
Interest	30,000	36,502	31,354
	17,252,500	17,472,714	17,519,774
EXPENSES (Note 11)			
Administration	6,340,450	6,203,302	6,112,010
Criminal law	7,034,444	6,067,214	6,636,644
Youth law	519,692	455,551	492,751
Civil law	4,343,426	4,594,351	4,076,505
	18,238,012	17,320,418	17,317,910
Annual surplus (deficit)	(985,512)	152,296	201,864
Accumulated deficit, beginning of year	(1,137,526)	(1,137,526)	(1,339,390)
Accumulated deficit, end of year	\$ (2,123,038)	\$ (985,230)	\$ (1,137,526)

*The accompanying notes are an
integral part of these financial statements.*

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31

	2019 Budget	2019 Actual	2018 Actual
	(Note 15)		
Annual surplus (deficit)	\$ (985,512)	\$ 152,296	\$ 201,864
Tangible capital assets			
Acquisition of tangible capital assets	(91,292)	(79,485)	(106,527)
Loss on disposal of tangible capital assets	-	9	-
Amortization of tangible capital assets	68,000	96,854	87,736
	(23,292)	17,378	(18,791)
Prepaid expenses			
Acquisition of prepaid expenses	-	(327,237)	(170,550)
Use of prepaid expenses	-	170,550	161,453
	-	(156,687)	(9,097)
(Increase) decrease in net debt	(1,008,804)	12,987	173,976
Net debt, beginning of year	(1,540,022)	(1,540,022)	(1,713,998)
Net debt, end of year	\$ (2,548,826)	\$ (1,527,035)	\$ (1,540,022)

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2019	2018
Operating transactions		
Annual surplus	\$ 152,296	\$ 201,864
Adjustment for non-cash items		
Amortization	96,854	87,736
Bad debt expense	9,021	73,246
Loss on disposal of tangible capital assets	9	-
	258,180	362,846
Change in non-cash operating items		
Accounts receivable	50,922	(110,050)
Accounts payable and accrued liabilities	75,821	(270,938)
Employee future benefits	(1,336,446)	102,162
Prepaid expenses	(156,687)	(9,097)
Cash (applied to) provided from operating transactions	(1,108,210)	74,923
Capital transactions		
Purchase of tangible capital assets	(79,485)	(106,527)
Cash applied to capital transactions	(79,485)	(106,527)
Net decrease in cash	(1,187,695)	(31,604)
Cash, beginning of year	2,297,982	2,329,586
Cash, end of year	\$ 1,110,287	\$ 2,297,982

*The accompanying notes are an
integral part of these financial statements.*

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

1. Nature of operations

The Newfoundland and Labrador Legal Aid Commission (the Commission) operates under the authority of the *Legal Aid Act*. The purpose of the Commission is to establish and administer a plan for the provision of legal aid for the residents of the Province of Newfoundland and Labrador.

The affairs of the Commission are managed by a Board of Commissioners consisting of the Assistant Deputy Minister of Justice and Public Safety (ex-officio), the Provincial Director of the Commission (ex-officio) and seven members appointed by the Lieutenant-Governor in Council.

The Commission is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Commission is classified as an Other Government Organization as defined by Canadian public sector accounting standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board (PSAB). The Commission does not prepare a statement of remeasurement gains and losses as the Commission does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Commission's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Commission generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Commission subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their nature and/or the short term maturity associated with these instruments.

Interest attributable to financial instruments is reported in the statement of operations.

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2. Summary of significant accounting policies (cont.)

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

- (i) The cost of accumulating, non-vesting sick leave benefits is calculated based upon management's best estimate of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels. Under the former annual leave policy, all employees hired before September 30, 1994 were credited with 2 days sick leave per month. After this date, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Accumulated benefits under the former policy may be used in future years and, if not used, the benefits cease upon termination of employment.
- (ii) Under the *Legal Aid Act*, Commission employees shall be considered to be employed in the public service for the purpose of the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Commission and then remitted to Provident¹⁰ from which pensions will be paid to employees when they retire. The Public Service Pension Plan is a multi-employer defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

The contributions from the Commission to the plan are recorded as an expense for the year.

(e) Tangible capital assets

Tangible capital assets are recorded at cost at the time of acquisition, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Office furniture and equipment	5 years
Computer equipment	5 years
Software development	5 years
Leasehold improvements	Lesser of 5 years or remaining life of the rental agreement.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(e) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability of the Commission to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(f) Prepaid expenses

Prepaid expenses are charged to expense over the periods expected to benefit from it.

(g) Revenues

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations related to the liabilities are settled.

Interest revenue is recognized as earned.

(h) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are recorded as an expense in that year.

(i) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the collectability of accounts receivable, expected useful life of tangible capital assets and the accrual for legal fees and disbursements-private bar.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

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NOTES TO FINANCIAL STATEMENTS
 March 31, 2019

3. Change in accounting policy

On April 1, 2018, the Board adopted *PS 3430 Restructuring Transactions*. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. This accounting change had no impact on the financial statements.

4. Accounts receivable

	<u>2019</u>	<u>2018</u>
Legal services	\$ 689,178	\$ 682,816
Harmonized Sales Tax	47,271	104,555
	<u>736,449</u>	<u>787,371</u>
Less: Allowance for doubtful accounts	(624,959)	(615,938)
	<u>\$ 111,490</u>	<u>\$ 171,433</u>

5. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Trade	\$ 686,997	\$ 657,832
Legal fees and disbursements-private bar	81,780	222,340
Salaries and benefits	1,547,948	1,360,732
	<u>\$ 2,316,725</u>	<u>\$ 2,240,904</u>

6. Employee future benefits

Employee future benefits consist of:

	<u>2019</u>	<u>2018</u>
Severance pay	\$ 426,076	\$ 1,761,967
Accumulating, non-vesting sick leave benefit liability	6,011	6,566
	<u>\$ 432,087</u>	<u>\$ 1,768,533</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
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6. Employee future benefits (cont.)

(a) Severance pay

Executive, management, and non-management/non-union employees of the Commission as at May 31, 2018 were entitled to severance pay. No further severance will accrue for these employees after May 31, 2018. All employees had the option of receiving their severance entitlement prior to March 31, 2019 or deferring it to a later date.

The severance liability as at March 31, 2019 represents severance owing to employees who deferred receiving their severance entitlement.

(b) Accumulating, non-vesting sick leave benefits

All employees hired before September 30, 1994, were credited with 2 sick days per month for use as paid absences during the year due to illness. Subsequent to September 30, 1994, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Sick leave benefits accumulated prior to September 30, 1994, may be used in future years and, if not used, the benefits cease upon termination of employment. For the year ended March 31, 2019, a sick leave liability was calculated for 9 employees.

(c) Pension contributions

Under the *Legal Aid Act*, the Commission's employees are subject to the *Public Service Pensions Act, 1991*. The Public Service Pension Plan is administered by Provident¹⁰, including payment of pension benefits to employees to whom the *Act* applies. The Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2018 - 11.85%). The Commission's contributions equal the employee contributions to the plan. Total pension expense for the Commission for the year ended March 31, 2019, was \$1,076,602 (2018 - \$1,064,703).

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7. Prepaid expenses

	<u>2019</u>	<u>2018</u>
Bar fees and insurance	\$ 92,225	\$ 92,595
Computer support	5,971	4,555
Commercial property insurance	21,011	20,088
Prepaid human resources expenses	23,507	8,412
Prepaid office rental	140,345	-
Prepaid travel	16,544	21,341
Workplace Health, Safety and Compensation Commission	27,634	23,559
	<u>\$ 327,237</u>	<u>\$ 170,550</u>

8. Tangible capital assets

Original Cost

	Balance March 31, 2018	Additions	Disposals	Balance March 31, 2019
Office furniture and equipment	\$ 1,165,555	\$ 25,705	\$ (1,108)	\$ 1,190,152
Computer equipment	757,284	48,713	-	805,997
Software development	189,297	-	-	189,297
Leasehold improvements	133,426	5,067	-	138,493
	<u>\$ 2,245,562</u>	<u>\$ 79,485</u>	<u>\$ (1,108)</u>	<u>\$ 2,323,939</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
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8. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2018	Amortization	Disposals	Balance March 31, 2019	Net book value March 31, 2019	Net book value March 31, 2018
Office furniture and equipment	\$ 1,093,308	\$ 30,207	\$ (1,099)	\$ 1,122,416	\$ 67,736	\$ 72,247
Computer equipment	642,060	47,757	-	689,817	116,180	115,224
Software development	187,335	469	-	187,804	1,493	1,962
Leasehold improvements	90,913	18,421	-	109,334	29,159	42,513
	\$ 2,013,616	\$ 96,854	\$ (1,099)	\$ 2,109,371	\$ 214,568	\$ 231,946

9. Contractual obligations

The Commission has entered into agreements requiring lease payments for office and equipment rental as follows:

2020	\$ 1,341,121
2021	917,817
2022	507,516
2023	432,395
2024	250,404
2025	<u>33,457</u>
	<u>\$ 3,482,710</u>

10. Trusts under administration

Assets held in trust of \$298,186 (2018 - \$323,346) include amounts received by the Commission for legal services which have yet to be completed. When a contract for legal services is entered into with a client, provision may be made in the contract for periodic payments to be made to the Commission while the legal services are being provided. Once the legal services have been completed, any payments received at that time will be combined with the general funds of the Commission. Any payments received under these contracts subsequent to the completion of legal services will be recorded with the general funds of the Commission immediately. Assets held in trust also include amounts received by the Commission, such as settlements, which will be disbursed once the related services have been completed.

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11. Expenses by object

	2019 <u>Budget</u> (Note 15)	2019 <u>Actual</u>	2018 <u>Actual</u>
Amortization	\$ 68,000	\$ 96,854	\$ 87,736
Bad debt expense	-	9,021	73,246
Bar fees and insurance	166,910	168,049	157,043
Commissioners' fees and expenses	59,590	59,337	50,791
Conference and education	154,200	135,041	127,894
Legal fees and disbursements	1,463,211	1,099,615	1,391,963
Library fees	38,000	33,693	42,902
Loss on disposal of tangible capital assets	-	9	-
Miscellaneous	4,500	3,149	3,890
Office and equipment rental	1,493,072	1,453,522	1,518,489
Office expense	356,846	416,332	347,801
Salaries and benefits	14,152,103	13,601,800	13,369,336
Telephone and light	106,000	90,073	80,761
Travel	175,580	153,923	66,058
	\$ 18,238,012	\$ 17,320,418	\$ 17,317,910

12. Related party transactions

Province of Newfoundland and Labrador:

During the year, the Commission received \$16,887,500 (2018 - \$17,087,500) from the Province in Operating grant revenue.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, provides Information Technology (IT) support services to the Commission. These IT costs are reflected in these financial statements in the amount of \$99,804 (2018 - \$99,804).

13. Financial risk management

The Commission recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Commission is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

13. Financial risk management (cont.)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission's main credit risk relates to cash and accounts receivable. The Commission's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Commission is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank.

The Commission is exposed to significant credit risk related to its accounts receivable relating to amounts owed from clients. Legal aid clients enter into a payment program based on a contract for the provision of legal services, and the accounts receivable balance is comprised primarily of small amounts held by a large client base. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 4.

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures and methods used to manage credit risk.

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, and its contractual obligations. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Commission in relation to its contractual obligations are outlined in Note 9.

There have been no significant changes from the previous year in the exposure to liquidity risk or policies, procedures and methods used to manage liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Commission is not exposed to significant foreign exchange risk or other price risk. The Commission is not exposed to significant interest rate risk related to cash because of its nature.

There have been no significant changes from the previous year in the exposure to market risk or policies, procedures and methods used to manage market risk.

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14. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Commission. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Commission's objectives.

15. Budget

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Commission's Board.

16. Comparative figures

Certain comparative figures have been restated to conform to the current period's presentation.