

**Newfoundland & Labrador
Legal Aid Commission
Annual Report
2017-18**



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Message from the Chair

As Chair of the Newfoundland and Labrador Legal Aid Commission, I am pleased to present the Legal Aid Commission's Annual Report which outlines the Commission's activities for the fiscal year April 1, 2017 to March 31, 2018. 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 Legal Aid 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 Legal Aid Commission operates under the **Legal Aid Act**, which provides for the provision of legal counsel to represent eligible residents of the Province of Newfoundland and Labrador 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 our legal aid program. Duty Counsel Services are provided to residents, as well as to visitors to the Province.

The Board of the Legal Aid Commission is accountable for the results reported. I, Timothy Chalker, the Chair of the Legal Aid Commission, accept accountability on behalf of the entire Board.



Timothy J. Chalker, Q.C.,
Chair

Background and Overview

The Newfoundland and Labrador Legal Aid Commission (“the Commission”) 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, the Legal Aid Plan was administered by a committee of the Law Society of Newfoundland and Labrador.

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 staff solicitors, including:

- 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 at a 1-800 number, 24 hours a day, seven days a week, to provide advice to people upon arrest, detention or being questioned by a peace officer.

The Commission consists of a Board of Commissioners. 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. Reflecting changes in the Act in the 2016-17 fiscal year, the Lieutenant Governor in Council appoints seven commissioners, three of whom are appointed from a list of nominees by the Law Society. The Lieutenant Governor in Council designates one of the Commission members as Chair. Appointed Commission members as of March 31, 2018 were:

Timothy J. Chalker, Q.C., Chair
Allison Whelan
Rodney Zdebiak
Donna Strong
Allison Hagerty
Greg French
Mark Duggan

Ex-officio members:

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

Legal Aid Offices and Staff

During fiscal year 2017-18, the Legal Aid Commission employed a Provincial Director, two Deputy Provincial Directors, a legal services solicitor, 67 staff solicitors, one social worker, three paralegals, a risk assessment officer, 51 support staff, eight articling students, and four community workers. These positions were dispersed throughout a provincial head office, 12 area offices and four project offices.

In addition to operating 12 area offices, the Legal Aid Commission also operated a number of special purpose offices and specialized roles. They are:

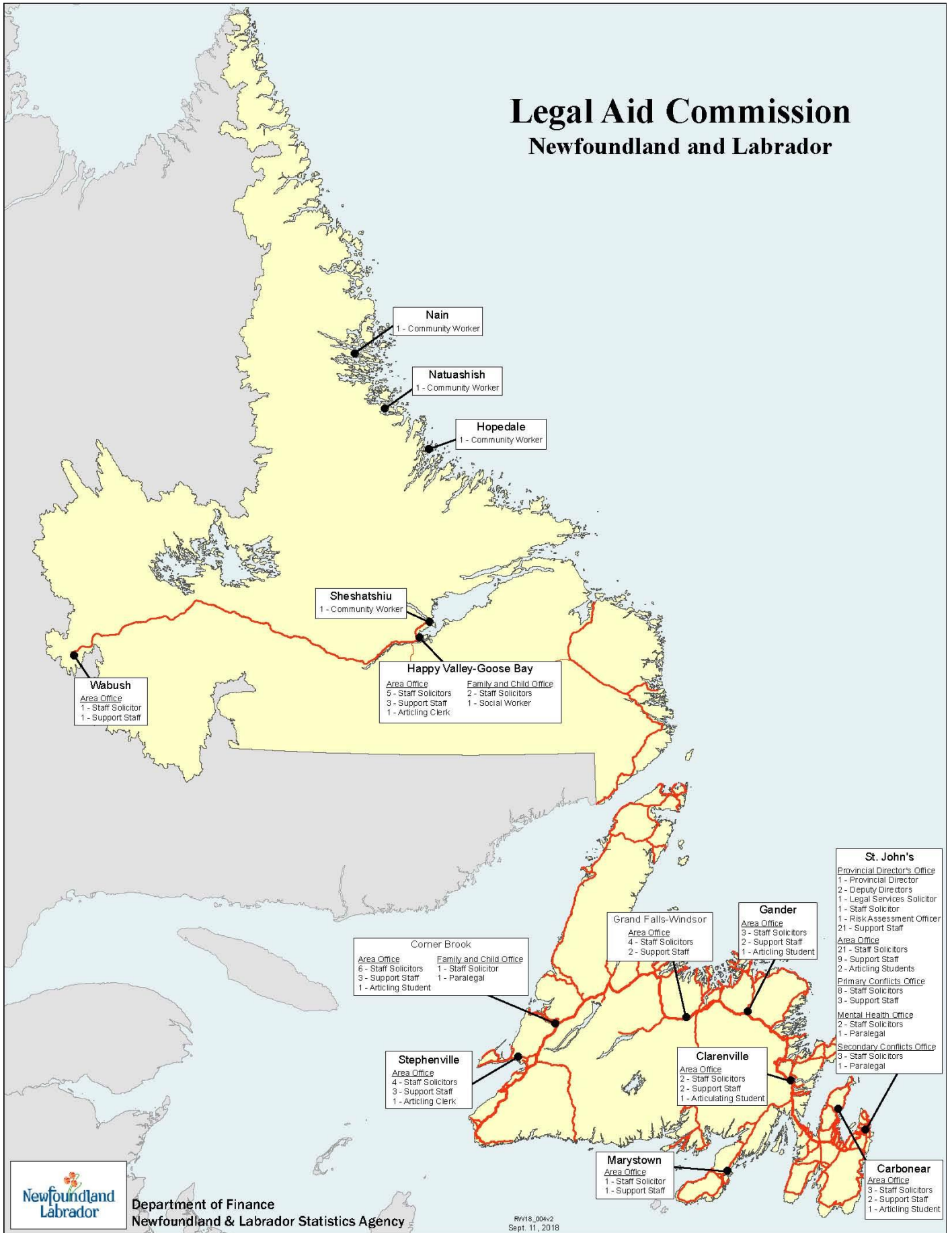
Special Purpose Offices

- The **Mental Health Office** works collaboratively with Eastern Health to assist clients with mental illness obtain legal representation in the Mental Health Court, before the Criminal Code Mental Disorder Review Board, before 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 Child, Youth and Family Services (CYFS), to respond to the concerns of CYFS, to assist parents in accessing the supports they need, and to work towards the re-unification 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 & Labrador. This is a no-charge service for people who need assistance with family law matters. If someone is not represented by a lawyer, Duty Counsel can provide advice and speak on their behalf in straight-forward and uncontested court matters.

Specialized Roles

- The Legal Aid Commission supports the Family Violence Intervention Court through dedicated positions. This specialized court began operations in September 2015 and has a location in St. John's and a pilot satellite location in Stephenville. This court aims to better serve victims of domestic and intimate partner violence by enhancing victim safety and offender accountability. A Risk Assessment Officer, based in the Commission's Provincial Director's Office, assesses persons whose cases are being considered for inclusion in the Family Violence Intervention Court. Staff solicitors from the St. John's primary conflict office and the Stephenville office handle the provision of advice and representation to accused persons.
- The Institutional Client Service Officer's role is to coordinate and facilitate communication with persons incarcerated in the provincial or federal prison systems or held in an institution, who are interested in applying for Legal Aid or following up on their matter.
- The Aboriginal Project involves working with Aboriginal communities to improve access to justice and the quality of legal services to Aboriginal peoples. The Legal Aid Commission supports the province's Aboriginal community with 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 has staff solicitors fluent in French who can provide legal advice by telephone, in person and, when necessary, to conduct trials in French.

Legal Aid Commission Newfoundland and Labrador



Department of Finance
Newfoundland & Labrador Statistics Agency

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Sept. 11, 2018

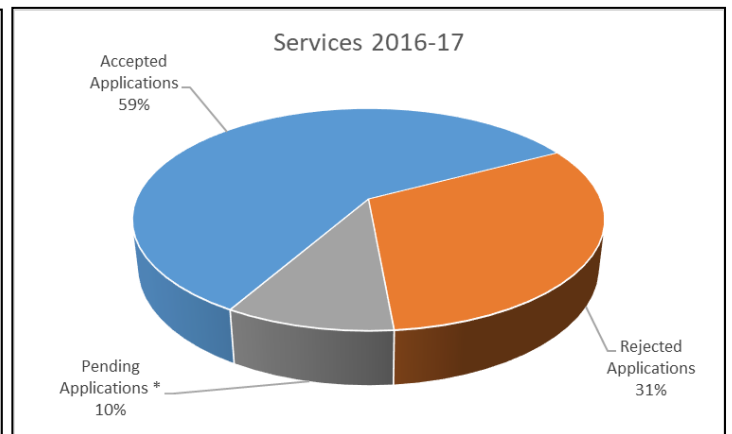
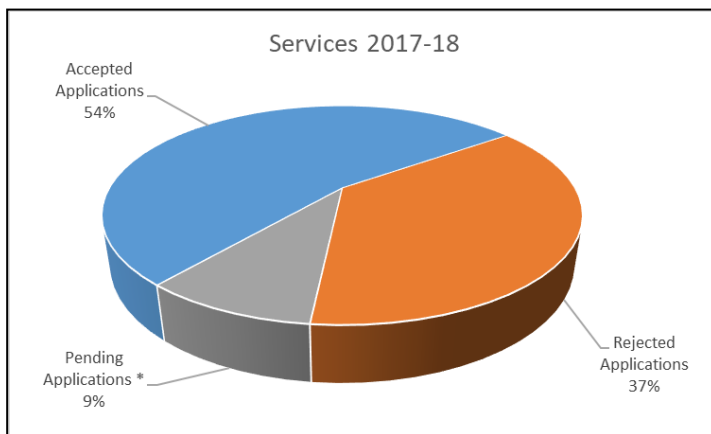
Highlights and Partnerships

Variance in Year-to-Year Statistics

The following charts and tables show a change in the number of files handled by the Commission in the 2017-18 year as compared to the 2016-17 year.

Disposition of Services			
	2017-18	2016-17	Change
Accepted Applications	4,427	5,042	-12%
Rejected Applications	3,010	2,679	12%
Pending Applications *	776	836	-7%
Total	8,213	8,557	-4%

* Pending Applications are ones which have not yet been approved as additional information is required from the applicant before a decision can be made as to an applicant's eligibility for Legal Aid.



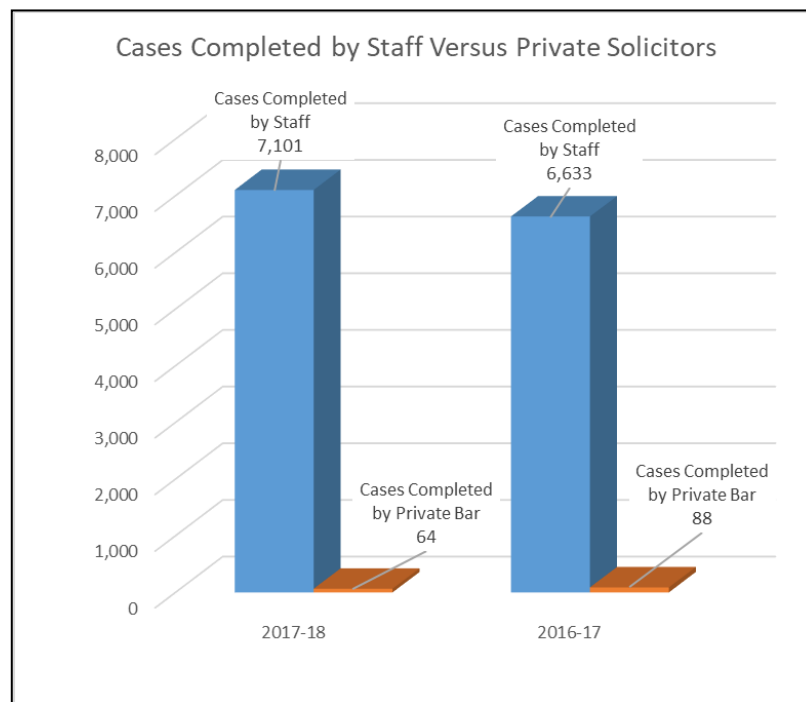
Full Service Legal Representation

During the fiscal year ending March 31, 2018, the Commission received 8,213 applications for full service legal representation, representing a four per cent decrease over the previous year. Of those received, 4,427 were approved for full service legal representation which is 12 percent less than the previous year. Applications were rejected because they did not meet one or both of the financial or legal eligibility criteria.

Full Service Legal Representation						
Law Type	2017-18		2016-17		% Change - Applications Received	% Change - Applications Approved
	Applications Received	Applications Approved	Applications Received	Applications Approved		
Criminal	4,311	2,711	4,379	2,919	-2%	-7%
Youth	431	377	480	416	-10%	-9%
Civil/Family	3,438	1,327	3,681	1,703	-7%	-22%
Immigration	33	12	17	4	94%	200%
Total	8,213	4,427	8,557	5,042	-4%	-12%

Cases Completed

Staff lawyers completed 7,101 cases in fiscal 2017-18 while 64 cases were completed by the private bar, amounting to 7,165 total closed cases during the fiscal year. In comparison to 2016-17, staff lawyers completed 6,633 cases, while 88 cases were completed by the private bar, amounting to 6,721 in total. This represents a seven per cent increase in the total number of completed cases by staff lawyers and a 27 per cent decrease in the number of files completed by the private bar, compared with 2016-17.



Duty Counsel Services

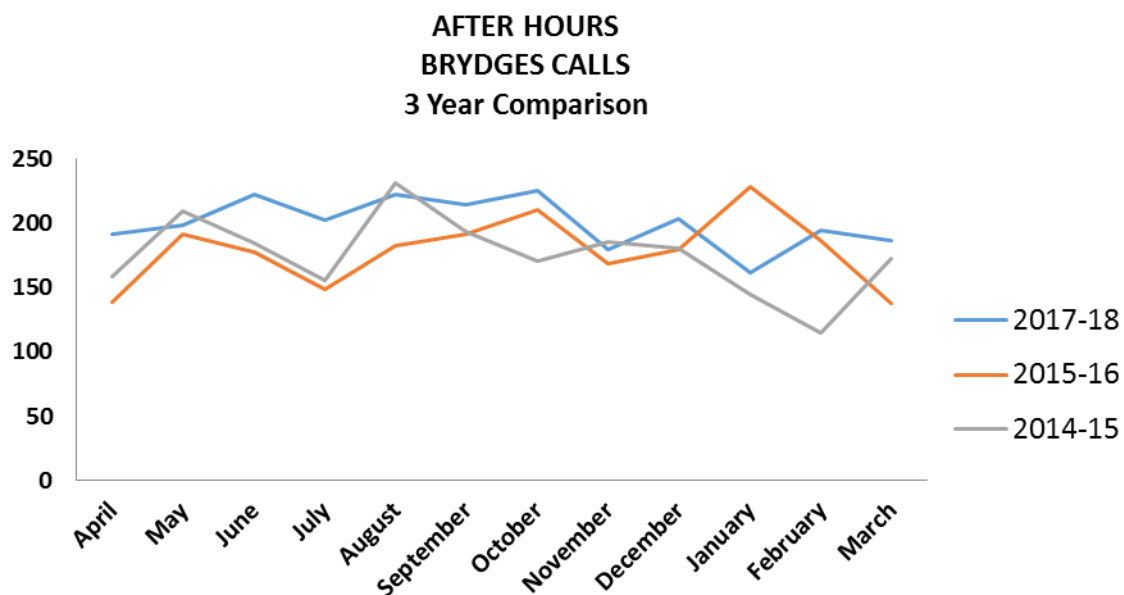
Duty Counsel in Provincial Court is a no-charge service provided to people on their first appearance before a Provincial or Youth Court Judge. Duty Counsel has assisted 10,872 adults with criminal issues and 570 youth in Provincial Court during fiscal 2017-18. This is a decrease of three per cent over the number of adults with criminal issues assisted in 2016-17.

Law Type	2017-18	2016-17	Change
Criminal	10,872	11,261	-3%
Family	717	1,156	-38%
Youth	570	620	-8%
Total	12,159	13,050	-7%

The Duty Counsel services at the Family Division also have a Client Services Officer who can provide basic information and assistance in applying for legal aid or in completing some court documents. The Duty Counsel solicitors in Family Division assisted 717 people. There has been a 38 per cent decrease the number assisted by the Duty Counsel solicitors in 2017-18.

Brydges Counsel Services

Brydges Counsel is an after-hours telephone service that offers free legal advice on a 24-hour basis to individuals under arrest and in custody, or 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 2017-18 was 2,399 as compared to 2,335 in 2016-17, representing a three per cent increase over the prior year.



Report on Performance

Issue: Enhanced Client Service Delivery

The Legal Aid Commission is committed to continuously improving the quality of its services. The Commission strives to respond to client needs in an effective and efficient manner. In the upcoming year, the Commission will continue to: support the initiatives for new financial eligibility standards; provide opportunities for staff development; implement a revised employee performance evaluation system; improve client and staff feedback processes; and enhance public awareness of its programs and services.

During 2018-19, the Commission will continue our focus on the client intake process and a revised employee performance evaluation system. The Commission will have implemented a Special Defense Unit to take on the files that once had the option of private counsel. With the development of this new Unit, the Commission will need to focus on gaining public support and confidence in our service.

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, 2018, the Legal Aid Commission will have initiated activities to enhance service delivery.	
Indicators:	Actual Results	
New model for client intake developed and piloted	The development of a proposed new model for client intake was begun. The required data collection process took longer than originally anticipated, so the work to develop the model will continue in 2018-19. Once developed and approved by the Board, the model will be piloted.	
Feedback from client, stakeholder and staff surveys analyzed to inform future work	Feedback from client, stakeholder and staff surveys were analyzed. Ongoing feedback from the webpage is being monitored by the Business Analyst and in consultation with Management. Responses to any feedback is forwarded back to the individual making the comments. Any comments that are needed to be investigated were completed and techniques to improve services were implemented thus improving client service. Employee surveys were distributed to get any feedback necessary to build on morale and productivity.	

Employee professional development opportunities identified and delivered	<p>Employee professional development opportunities were identified and delivered. They were identified based on staff needs as well as keeping current with changes in the law, environment and technology. Specifically:</p> <ul style="list-style-type: none"> ➤ All Solicitors attending sessions at the Legal Aid 2017 Annual General Meeting which included: Impact of Trauma on Children, Delay Applications post Jordan, DNA Evidence, Youth Justice and children in care, Emergency Immigration calls, Family Law update, RCMP Firearms Presentation, Probation, Vicarious Trauma and LGBT and Corrections. As well as other CLE throughout the year; ➤ Numerous staff attending training at the Gardiner Centre such as Maximizing Workplace Relationships, Relationship Building and Communication for professional development; ➤ Various Staff and Solicitors participating in various training on PSACCESS through the Public Service Commission ; ➤ Mandatory ATIPP training sessions were delivered to all staff and solicitors ➤ Two representatives from Her Majesty's Penitentiary; Holly Haynes and Dennis O'Brien attended Legal Aid in February, 2018 to give a presentation on how to administer Naloxone (Narcan) to an overdosed person. The presentation was recorded for those who were not able to attend on the Intranet. Each office was then provided with a Naloxone (Narcan) Nasal Spray Kit.
Public awareness initiatives explored	Public awareness initiatives were explored and it was decided that the expertise of a public relations firm was required. As of March 31, 2018, an RFP process was ongoing to retain a public relations firm to develop public awareness initiatives.

Objective 2:	By March 31, 2019, the Legal Aid Commission will have continued initiatives to enhance client service delivery.
Indicators:	
Special Defense Unit implemented	
New model for Financial Eligibility Standards piloted	
Employee Professional Development ongoing opportunities delivered	

Opportunities and Challenges Ahead

The Commission will continue efforts to ensure a client focused culture within the organization with a focus on continuous improvement. The Legal Aid Commission will review and work toward implementing a new Financial Eligibility Standard which will improve efficiency within the organization. This will streamline the application process and reduce the amount of financial information a client needs to provide in order to qualify financially for Legal Aid.

The Commission recognizes performance review processes as a tool to support the growth and development of its employees, as well as ensuring the highest standards of service for clients. The Commission will continue to pursue the implementation of a new performance review process.

Continuing legal education is an important element in the development of solicitors. The Commission will continue to support staff solicitors' participation in professional development opportunities. As well as supporting the professional development efforts of all staff within the Commission.

The amendment to the Act in March 2018 that involved the removal of Choice of counsel will contribute to Legal Aid's dedication to restorative justice. This legislative amendment creates an opportunity to enhance the public's understanding of the qualified lawyers who have dedicated their careers to public service. The Legal Aid Commission lawyers will now be handling new cases involving murder or manslaughter. The Provincial Director will continue to have the authority to appoint a private practice lawyer in certain extenuating circumstances. In response to this legislative amendment, the Commission began exploring the establishment of the Special Defense Unit comprised of three lawyers who have experience dealing with major criminal matters. The purpose of the Unit will be to provide expert legal assistance to clients accused of serious offences such as murder or manslaughter.

**NEWFOUNDLAND AND LABRADOR
LEGAL AID COMMISSION**

FINANCIAL STATEMENTS

MARCH 31, 2018

**NEWFOUNDLAND AND LABRADOR
LEGAL AID COMMISSION**

FINANCIAL STATEMENTS

MARCH 31, 2018

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.

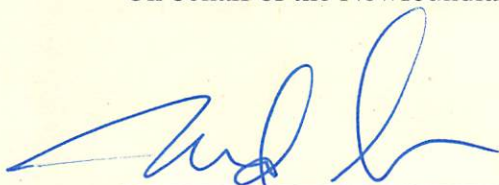
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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.

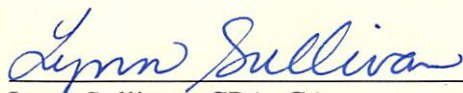
The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

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



Lynn Sullivan, CPA, CA
Deputy Director



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Legal Aid Commission which comprise the statement of financial position as at March 31, 2018, the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Legal Aid Commission as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Julia Mullahey". The signature is written in a cursive style with a large initial 'J'.

JULIA MULLALEY, CPA, CA
Auditor General

July 27, 2018
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF FINANCIAL POSITION

As at March 31

2018

2017

FINANCIAL ASSETS

Cash	\$ 2,297,982	\$ 2,329,586
Accounts receivable (Note 4)	171,433	134,629
	2,469,415	2,464,215

LIABILITIES

Accounts payable and accrued liabilities (Note 5)	2,240,904	2,511,842
Employee future benefits (Note 6)	1,768,533	1,666,371
	4,009,437	4,178,213
Net debt	(1,540,022)	(1,713,998)

NON-FINANCIAL ASSETS

Prepaid expenses (Note 7)	170,550	161,453
Tangible capital assets (Note 8)	231,946	213,155
	402,496	374,608
Accumulated deficit	\$ (1,137,526)	\$ (1,339,390)

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

	2018 Budget	2018 Actual	2017 Actual
(Note 15)			
REVENUES			
Province of Newfoundland and Labrador			
Operating grants	\$ 16,977,500	\$ 17,087,500	\$ 17,033,298
Law Foundation of Newfoundland and Labrador grant	200,000	190,085	137,086
Legal services	250,000	210,835	234,600
Interest	30,000	31,354	33,195
	<u>17,457,500</u>	<u>17,519,774</u>	<u>17,438,179</u>
EXPENSES (Note 11)			
Administration	6,618,300	6,175,060	6,693,434
Criminal law	7,481,796	6,602,354	6,322,851
Youth law	508,148	489,535	388,658
Civil law	4,280,756	4,050,961	4,344,828
	<u>18,889,000</u>	<u>17,317,910</u>	<u>17,749,771</u>
Annual surplus (deficit)	(1,431,500)	201,864	(311,592)
Accumulated deficit, beginning of year	(1,339,390)	(1,339,390)	(1,027,798)
Accumulated deficit, end of year	\$ (2,770,890)	\$ (1,137,526)	\$ (1,339,390)

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

	2018 Budget	2018 Actual	2017 Actual
(Note 15)			
Annual surplus (deficit)	\$ (1,431,500)	\$ 201,864	\$ (311,592)
Tangible capital assets			
Acquisition of tangible capital assets	-	(106,527)	(64,988)
Amortization of tangible capital assets	-	87,736	91,261
	-	(18,791)	26,273
Prepaid expenses			
Acquisition of prepaid expenses	-	(170,550)	(161,453)
Use of prepaid expenses	-	161,453	168,893
	-	(9,097)	7,440
Increase (decrease) in net debt	(1,431,500)	173,976	(277,879)
Net debt, beginning of year	(1,713,998)	(1,713,998)	(1,436,119)
Net debt, end of year	\$ (3,145,498)	\$ (1,540,022)	\$ (1,713,998)

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

	2018	2017
Operating transactions		
Annual surplus (deficit)	\$ 201,864	\$ (311,592)
Adjustment for non-cash items		
Amortization	87,736	91,261
Bad debt expense	73,246	98,338
	362,846	(121,993)
Change in non-cash operating items		
Accounts receivable	(110,050)	(116,883)
Accounts payable and accrued liabilities	(270,938)	496,112
Employee future benefits	102,162	94,099
Prepaid expenses	(9,097)	7,440
Cash provided from operating transactions	74,923	358,775
Capital transactions		
Purchase of tangible capital assets	(106,527)	(64,988)
Cash applied to capital transactions	(106,527)	(64,988)
Net (decrease) increase in cash	(31,604)	293,787
Cash, beginning of year	2,329,586	2,035,799
Cash, end of year	\$ 2,297,982	\$ 2,329,586

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

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

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.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

2. Summary of significant accounting policies (cont.)

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

Employee future benefits include severance pay and accumulating, non-vesting sick leave benefits.

- (i) Severance is accounted for on an accrual basis, based upon years of service and current salary levels.
- (ii) 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.

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, 2018

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, estimated employee future benefits, 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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3. Changes in accounting policies

(a) New accounting standards

On April 1, 2017, the Commission adopted the following five new CPSAS Handbook Sections:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

These accounting changes had no significant impact on the financial statements.

(b) Accounting pronouncement

The PSAB has issued *PS 3430 Restructuring Transactions* which is effective April 1, 2018. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The standard has not been applied in these financial statements.

The Commission plans to adopt this standard by the effective date and is currently analyzing the impact the standard will have on the financial statements.

4. Accounts receivable

	<u>2018</u>	<u>2017</u>
Legal services	\$ 682,816	\$ 629,696
Harmonized Sales Tax	104,555	49,298
	<hr/> 787,371	<hr/> 678,994
Less: Allowance for doubtful accounts	(615,938)	(544,365)
	<hr/> \$ 171,433	<hr/> \$ 134,629

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5. Accounts payable and accrued liabilities

	<u>2018</u>	<u>2017</u>
Trade	\$ 657,832	\$ 650,800
Legal fees and disbursements-private bar	222,340	249,135
Salaries and benefits	1,360,732	1,611,907
	<u>\$ 2,240,904</u>	<u>\$ 2,511,842</u>

6. Employee future benefits

Employee future benefits consist of:

	<u>2018</u>	<u>2017</u>
Severance pay (a)	\$ 1,761,967	\$ 1,657,053
Accumulating, non-vesting sick leave benefit liability (b)	6,566	9,318
	<u>\$ 1,768,533</u>	<u>\$ 1,666,371</u>

(a) Severance pay

Severance pay consists of the liability related to the following employees:

	<u>2018</u>	<u>2017</u>
Employees with 9 or more years of service	\$ 1,358,594	\$ 1,351,656
Employees with less than 9 years of service	403,373	305,397
	<u>\$ 1,761,967</u>	<u>\$ 1,657,053</u>

(b) Accumulating, non-vesting sick leave benefit liability

	<u>2018</u>	<u>2017</u>
Accumulating, non-vesting sick leave benefit liability	\$ 6,566	\$ 9,318

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6. Employee future benefits (cont.)

(c) Employee future benefits expense

Portion of salaries and benefits expense related to employee future benefits:

	<u>2018</u>	<u>2017</u>
Severance pay expense	\$ 104,914	\$ 172,051
Accumulating non-vesting sick leave (recovery)	(2,752)	(77,952)
	<u>\$ 102,162</u>	<u>\$ 94,099</u>

(d) Employee future benefits

(i) Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Commission for these employees. For employees with less than nine years of continuous service, the Commission has made a provision in the accounts for the payment of severance which is based upon the Commission's best estimate of the probability of having to pay severance to the employees and current salary levels. Severance is payable when the employee ceases employment with the Commission provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service. The Commission does not recognize prior service with the public service for the purpose of calculating severance entitlement.

On May 31, 2018, the Province of Newfoundland and Labrador enacted legislation affecting severance pay for executive, managers, non-management/non-union employees as outlined in Note 16.

(ii) 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, 2018, a sick leave liability was calculated for 8 employees.

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6. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

(iii) 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% (2017 - 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, 2018, was \$814,264 (2017 - \$815,711).

7. Prepaid expenses

	<u>2018</u>	<u>2017</u>
Bar fees and insurance	\$ 92,595	\$ 92,333
Computer support	4,555	5,147
Commercial property insurance	20,088	-
Library fees	-	10,190
Prepaid human resources expenses	8,412	19,778
Prepaid travel	21,341	6,545
Workplace Health, Safety and Compensation Commission	23,559	27,460
	<u>\$ 170,550</u>	<u>\$ 161,453</u>

8. Tangible capital assets

Original Cost

	Balance March 31, 2017	Additions	Disposals	Balance March 31, 2018
Office furniture and equipment	\$ 1,255,550	\$ 17,129	\$ 107,124	\$ 1,165,555
Computer equipment	791,769	38,369	72,854	757,284
Software development	187,508	1,789	-	189,297
Leasehold improvements	84,186	49,240	-	133,426
	<u>\$ 2,319,013</u>	<u>\$ 106,527</u>	<u>\$ 179,978</u>	<u>\$ 2,245,562</u>

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8. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2017	Amortization	Disposals	Balance March 31, 2018	Net book value March 31, 2018	Net book value March 31, 2017
Office furniture and equipment	\$ 1,160,732	\$ 39,700	\$ 107,124	\$ 1,093,308	\$ 72,247	\$ 94,818
Computer equipment	678,706	36,208	72,854	642,060	115,224	113,063
Software development	186,573	762	-	187,335	1,962	935
Leasehold improvements	79,847	11,066	-	90,913	42,513	4,339
	<u>\$ 2,105,858</u>	<u>\$ 87,736</u>	<u>\$ 179,978</u>	<u>\$ 2,013,616</u>	<u>\$ 231,946</u>	<u>\$ 213,155</u>

9. Contractual obligations

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

2019	\$ 1,155,944
2020	1,092,731
2021	659,338
2022	249,456
2023	<u>174,400</u>
	<u>\$ 3,331,869</u>

10. Trusts under administration

Assets held in trust of \$323,346 (2017 - \$358,747) 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

	<u>2018</u> <u>Budget</u> (Note 15)	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Amortization	\$ 84,000	\$ 87,736	\$ 91,261
Bad debt expense	-	73,246	98,338
Bar fees and insurance	157,000	157,043	146,863
Commissioners' fees and expenses	65,000	50,791	55,417
Conference and education	152,000	127,894	130,946
Family Justice Services			
Central Project	-	-	40,368
Legal fees and disbursements	2,330,200	1,477,368	1,127,387
Library fees	30,000	42,902	33,771
Miscellaneous	5,000	3,890	4,872
Office and equipment rental	1,613,000	1,518,489	1,586,499
Office expense	353,000	340,126	325,673
Salaries and benefits	13,847,000	13,244,623	13,874,916
Telephone and light	113,000	80,761	113,118
Travel	139,800	113,041	120,342
	<u>\$ 18,889,000</u>	<u>\$ 17,317,910</u>	<u>\$ 17,749,771</u>

12. Related party transactions

Province of Newfoundland and Labrador:

During the year, the Commission received \$17,087,500 (2017 - \$17,033,298) 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 (2017 - \$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.

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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. Subsequent Event

On May 31, 2018, the Province of Newfoundland and Labrador enacted legislation affecting severance pay for executives, managers, and non-management/non-union employees. Effective June 1, 2018 these non-union employees with at least one year of continuous service will be entitled to one week of salary for each complete year of service to a maximum of 20 weeks. The value of severance will be based on an employee's rate of pay as of May 31, 2018, and no additional severance will accrue beyond May 31, 2018. Employees may elect to receive all of their entitlement by March 31, 2019, or they may defer receiving their entitlement to a later date. The Commission has included the impact of the legislation in the estimate of its severance pay liability for the year ended March 31, 2018.