

Financial statements of

**Legal Services Society**

March 31, 2020

# Legal Services Society

March 31, 2020

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## Management's Report

### Management's Responsibility for the Legal Services Society Financial Statements

The Legal Services Society (the "society") financial statements as at and for the year ended March 31, 2020 (the "financial statements") have been prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Finance Committee. The Board of Directors reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board of Directors also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the annual financial statements. The external auditors have full and free access to the financial records of the society and meet with management and the Board of Directors when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the society



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Mark Benton, QC  
Chief Executive Officer



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Chris Earle, CPA, CMA, C. Dir.  
Vice President, Finance and Corporate Services

## Independent Auditor's Report

To the Directors of  
Legal Services Society and to the Ministry of Attorney General of British Columbia

### Opinion

We have audited the financial statements of Legal Services Society (the "Society"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements of the Society for the year ended March 31, 2020 are prepared, in all material respects, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Society in complying with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Other Matter

The financial statements of the Society for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 15, 2019.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

We 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 we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
May 13, 2020  
Vancouver, British Columbia

Legal Services Society

**Statement of financial position**

as at March 31, 2020

	2020	2019
<b>Financial assets</b>		
Cash (note 17)	\$ 8,330,509	\$ 201,446
Investments (notes 4 and 17)	1,904,925	6,949,744
Accounts receivable (note 17)		
Government of British Columbia (note 14)	620,114	964,132
Government of Canada	926,690	918,072
Other	1,917,564	1,779,394
<b>Total financial assets</b>	<b>13,699,802</b>	<b>10,812,788</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
General (note 5a)	2,724,105	3,861,371
Tariff (note 5b)	13,894,778	12,332,313
Employee future benefits (note 6(b))	224,800	227,800
Long-term liabilities (note 7)	1,058,451	609,037
<b>Total liabilities</b>	<b>17,902,134</b>	<b>17,030,521</b>
<b>Net debt</b>	<b>(4,202,332)</b>	<b>(6,217,733)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	4,560,560	5,548,861
Prepaid expenses	581,239	4,608,567
<b>Total non-financial assets</b>	<b>5,141,799</b>	<b>10,157,428</b>
<b>Accumulated surplus (note 8)</b>	<b>\$ 939,467</b>	<b>\$ 3,939,695</b>
Contractual obligations (note 13)		
Economic dependence (note 15)		
Contingent liabilities (note 16)		

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



Jean Whittow, QC  
Chair of the Board of Directors



Karen Christiansen, FCPA, FCA  
Chair of the Finance Committee

Legal Services Society

**Statement of operations and accumulated surplus**

for the year ended March 31, 2020

	<b>Budget</b> (note 12)	<b>2020</b>	<b>2019</b>
<b>Revenue</b>			
Government of British Columbia (notes 9 and 14)	\$ 92,999,000	\$ <b>99,361,547</b>	\$ 88,572,462
Law Foundation	3,251,000	<b>3,430,340</b>	3,983,750
Department of Justice — Canada	—	<b>35,678</b>	16,452
Notary Foundation	1,500,000	<b>2,398,470</b>	2,603,590
Investment income	150,000	<b>175,816</b>	372,789
Miscellaneous	115,000	<b>327,358</b>	249,267
<b>Total revenue</b>	<b>98,015,000</b>	<b>105,729,209</b>	<b>95,798,310</b>
<b>Expenses</b> (note 10)			
Criminal tariff	45,978,000	<b>49,842,907</b>	43,876,243
Family tariff	17,575,000	<b>20,677,504</b>	17,567,961
Child protection tariff	8,355,000	<b>6,268,370</b>	7,091,896
Immigration and refugee tariff	2,290,000	<b>4,106,360</b>	3,321,796
Justice Innovation and Transformation Initiatives	8,600,000	<b>7,152,251</b>	5,292,999
Publishing	2,266,000	<b>2,326,848</b>	3,593,406
Community engagement	1,003,000	<b>925,350</b>	806,312
Indigenous services	1,327,000	<b>1,305,063</b>	1,426,290
Other contribution (note 8)	—	<b>3,940,000</b>	—
Administration (note 11)	10,621,000	<b>12,184,784</b>	12,821,407
<b>Total expenses</b>	<b>98,015,000</b>	<b>108,729,437</b>	<b>95,798,310</b>
<b>Deficit for the year</b>	—	<b>(3,000,228)</b>	—
<b>Accumulated surplus at beginning of year</b>	3,939,695	<b>3,939,695</b>	3,939,695
<b>Accumulated surplus at end of year</b> (note 8)	\$ 3,939,695	\$ <b>939,467</b>	\$ 3,939,695

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

Legal Services Society

**Statement of changes in net debt**

for the year ended March 31, 2020

	<b>Budget</b> <i>(note 12)</i>	<b>2020</b>	<b>2019</b>
Deficit for the year	\$ —	\$ <b>(3,000,228)</b>	\$ —
Acquisition of tangible capital assets	(2,160,000)	<b>(1,374,809)</b>	(2,355,316)
Amortization	1,491,245	<b>2,363,110</b>	2,338,959
	<b>(668,755)</b>	<b>988,301</b>	<b>(16,357)</b>
Acquisition of prepaid expenses	—	<b>(581,239)</b>	(4,608,567)
Use of prepaid expenses	—	<b>4,608,567</b>	493,500
	—	<b>4,027,328</b>	<b>(4,115,067)</b>
<b>Decrease (increase) in net debt</b>	<b>(668,755)</b>	<b>2,015,401</b>	<b>(4,131,424)</b>
<b>Net debt at beginning of year</b>	<b>(6,217,733)</b>	<b>(6,217,733)</b>	<b>(2,086,309)</b>
<b>Net debt at end of year</b>	<b>\$ (6,886,488)</b>	<b>\$ (4,202,332)</b>	<b>\$ (6,217,733)</b>

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



Legal Services Society

**Statement of cash flows**  
for the year ended March 31, 2020

	2020	2019
<b>Cash provided by (applied to) operating activities</b>		
Deficit for the year	\$ (3,000,228)	\$ —
Amortization	2,363,110	2,338,959
Long term liabilities	449,411	(74,301)
<i>Changes in non-cash working capital:</i>		
Accounts receivable	197,231	616,226
Accounts payable and accrued liabilities	425,200	(921,261)
Prepaid expenses	4,027,328	(4,115,067)
Employee Future Benefits	(3,000)	(25,400)
<b>Total change from Operating activities</b>	<b>7,459,280</b>	<b>(2,180,844)</b>
<b>Cash applied to capital activities</b>		
Purchase of tangible capital assets	(1,374,808)	(2,355,316)
<b>Total change from Capital activities</b>	<b>(1,374,808)</b>	<b>(2,355,316)</b>
<b>Cash provided by (applied to) investing activities</b>		
Investments purchased	—	(7,321,708)
Investments redeemed	5,044,819	10,346,151
<b>Total change from Investing activities</b>	<b>5,044,819</b>	<b>3,024,443</b>
Increase (decrease) in cash	<b>8,129,063</b>	<b>(1,511,717)</b>
Cash at beginning of year	<b>201,446</b>	<b>1,713,163</b>
Cash at end of year	<b>\$ 8,330,509</b>	<b>\$ 201,446</b>

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

## **Notes to the Financial Statements** **for the year ended March 31, 2020**

### **1. Overview**

The Legal Services Society (the “society”) was established under the Legal Services Society Act on October 1, 1979 (as revised on May 31, 2007). The society is governed by a board of directors, of which five are appointed by the Province of British Columbia (the province) and four are appointed by the Law Society. The society operates within the framework of a Memorandum of Understanding (MOU) with the province. The MOU is renewed every 3 years and outlines the roles, budget and planning processes as well as prioritization for allocating funding. The purpose of the society is to:

- assist individuals to resolve their legal problems and facilitate access to justice,
- establish and administer an effective and efficient system for providing legal aid to individuals in British Columbia, and
- provide advice to the Attorney General respecting legal aid and access to justice for individuals in British Columbia.

The society is not subject to income taxes.

The global pandemic, COVID-19, has significantly disrupted economic activities in BC. This is a difficult time for the legal system. The society is responding by taking steps to ensure that, wherever possible, access to justice continues despite any interruptions to the courts as a result of COVID-19, and to support providers during this challenging time.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption to the society’s operations and related financial impacts cannot be reasonably estimated at this time.

### **2. Basis of presentation**

These financial statements are prepared by management in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the province. This section requires the accounting policies and practices of government organizations to conform to generally accepted accounting principles for senior governments in Canada, as modified by any alternative standard or guideline that is made by the Treasury Board.

In November 2011, a Treasury Board regulation was issued that requires tax-payer supported organizations to adopt the accounting policies for restricted contributions described in note 3(a). These accounting policies are significantly different from Canadian Public Sector Accounting Standards (“PSAS”) which require that government transfers with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Such liability is reduced, and an equivalent amount of revenue is recognized, as the liability is settled.

## **2. Basis of presentation (continued)**

The accounting policy described in note 3(a) is different from PSAS with respect to the timing of revenue recognition for government transfers. The impact on the financial statements of the society as at and for the year ended March 31, 2020 is not significant.

## **3. Significant accounting policies**

### **(a) Revenue recognition**

Revenues are recognized in the period in which the transactions or events that give rise to the revenues occur. 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 received for the purpose of developing or acquiring a depreciable tangible capital asset are deferred and recognized as revenue at the same rate as the amortization, and any impairment, of the tangible capital asset. Other government transfers are recognized as revenue in the period they authorized, any eligibility criteria are met and when any stipulation or restriction the transfer is subject to is met.

Restricted contributions received or receivable are deferred and amortized into revenue as the related expenses are incurred.

### **(b) Expenses**

Expenses are reported on an accrual basis. The cost of services incurred during the year is expensed.

### **(c) Tariff expenses**

Tariff expenses include amounts billed by lawyers to the society and an estimate of services performed by lawyers but not yet billed to the society.

### **(d) Employee future benefits**

- i. The society's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. The society records its pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This method is used because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets, and costs to individual employers participating in the plan.
- ii. The cost of non-vested sick leave benefits is actuarially determined using the projected benefit method and management's best estimate of salary escalation, future utilization of the benefits, long-term inflation rates, and discount rates.

### 3. Significant accounting policies (continued)

#### (e) Tangible capital assets

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

The estimated useful lives of assets are re-assessed on an annual basis. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Assets	Per year
Furniture	10 – 20%
Equipment	20%
Computer equipment	25 – 33%
Computer software	20 – 33%
Client Information System	20%
Leasehold improvements	Lower of lease term and useful life

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

#### (f) Lease inducements

Lease inducements are recognized on a straight-line basis over the term of the lease as a reduction in premises expense.

#### (g) Prepaid expenses

Prepaid expenses include memberships, computer software licenses, and deposits. These items are charged to expense over the periods expected to benefit from them.

#### (h) Financial instruments

The society's financial instruments consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities. Accounts receivable, and accounts payable and accrued liabilities are initially recorded at fair value and subsequently measured at cost. Investments, which may comprise guaranteed investment certificates, provincial bonds, corporate bonds, and structured bank notes, are initially recorded at fair value and subsequently measured at amortized cost. Any premium or discount related to a financial instrument measured at amortized cost is amortized over the expected life of the instrument using the effective interest method.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

### 3. Significant accounting policies (continued)

#### (h) Financial instruments (continued)

The fair values of the society's cash, accounts receivable, and accounts payable and accrued liabilities generally approximate their carrying amounts due to their short term to maturity. The fair values of the society's investments are disclosed in note 4.

#### (i) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas where estimates are significant to the financial statements include the tariff liabilities and expenses (note 17). Other areas where estimates are made include the valuation of investments, accounts receivable, estimated useful lives of tangible capital assets and the resulting amortization, non-vested sick leave benefits, and contingent liabilities.

Estimates are based on the best information available at the time of the 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 those estimates.

### 4. Investments

As of March 31, 2020, the society held two guaranteed investment certificates with an interest rate of 3.05% per annum with maturity dates in 2020. Included in investments is \$54,925 for accrued interest (2019 — \$196,744).

### 5. Accounts payable and accrued liabilities

#### (a) General

	2020	2019
Trade payables	\$ 1,088,403	\$ 2,637,846
Payroll payables	1,635,702	1,223,525
<b>Total</b>	<b>\$ 2,724,105</b>	<b>\$ 3,861,371</b>

#### (b) Tariff

	2020	2019
Submittals approved, not paid	\$ 1,125,478	1,484,927
Submittals not approved	2,379,630	1,600,892
Accrual (note 18)	10,389,670	9,246,494
<b>Total</b>	<b>\$ 13,894,778</b>	<b>\$ 12,332,313</b>

## **5. Accounts payable and accrued liabilities (continued)**

The society uses an actuarial model to estimate legal services performed but not yet billed to the society. Management estimated the liability to be approximately \$10,389,670 (2019 — \$9,246,494). This estimate, included in the above table, incorporates average case costs and service billings for similar cases, based on historical experience over a two-year period. Actual costs could differ from this estimate (notes 3(i) and 18).

The society does not record a liability, and related accounts receivable, for certain legal services performed but not yet billed to the society as the amount cannot be estimated reliably. For these legal cases, the related costs are fully reimbursed to the society based on the terms of agreements with either the Province of British Columbia or the Government of Canada.

## **6. Employee future benefits**

### **(a) Pension plan**

The society and its employees contribute to the Municipal Pension Plan (jointly trustee pension plan). The board of trustees for this plan, representing plan members and employers, is responsible for administering the pension plan, including investing assets and administering benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the Municipal Pension Plan had approximately 195,921 active members and 100,956 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation, conducted as at December 31, 2018, showed the plan's basic account, which pays lifetime pensions, was 105.1 per cent funded with actuarial assets of \$58.53 billion and actuarial liabilities of \$55.66 billion. There is a surplus of \$2.87 billion. In addition, the rate stabilization account, which was set up to help offset potential future contribution rate increases, has a balance of about \$2.5 billion.

The society paid 1,226,551 (2019 — \$949,391) for employer contributions to the plan during the year ended March 31, 2020.

### **(b) Non-vested sick leave**

Employees are credited days per year, ranging from six to ten days, for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement.

Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment and employee unused sick bank is not paid out at retirement. The benefit cost and liabilities related to the plan are included in the financial statements.

## 7. Long-term liabilities

### Lease inducements

Lease inducements were provided under an operating lease by the property owner to finance tenant improvements.

	2020	2019
Leasehold inducements	\$ 1,058,451	\$ 609,037
Less: current portion	(143,452)	(137,320)
Long-term portion	\$ 914,999	\$ 471,717

## 8. Accumulated surplus

The board of directors has authorized the following restrictions on the accumulated surplus:

- In March 2019, the board of directors, the Association of Legal Aid Lawyers and the province entered into a Memorandum of Understanding (“MOU”) to prevent a withdrawal of service by the Legal Aid lawyers. The society paid \$3,940,000 to the Law Foundation on March 29, 2019.
- The payment to the Law Foundation on March 29, 2019 was recognized as an expense during the year ended March 31, 2020 over the term of the MOU negotiations.

## 9. Restricted contributions

### 2020

	Opening deferred contribution	Approved budget	Additional contributions	Recognized in operations	Closing deferred contribution
Government of British Columbia — Category B	\$ —	\$1,813,000	\$1,139,209	\$2,952,209	\$ —

### 2019

	Opening deferred contribution	Approved budget	Additional contributions	Recognized in operations	Closing deferred contribution
Government of British Columbia — Category B	\$ —	\$1,813,000	\$1,069,725	\$2,882,725	\$ —

## **9. Restricted contributions (continued)**

The society's Memorandum of Understanding (MOU) with the Ministry of the Attorney General provides for restricted funding for exceptional matters commencing with the 2003 fiscal year. Effective April 1, 2017, the MOU was revised to provide clarification on criminal case classification and funding of these cases.

There are now three categories:

- **Category A:** Within the approved budget within which a case will be accounted for, where the total of the fees and disbursements is less than or equal to \$75,000.
- **Category B:** Within the approved budget within which a case will be accounted for, where the total of the fees and disbursements exceeds \$75,000 and is less than or equal to \$175,000, or where it is a court-appointed counsel case, or a charter-required counsel case. These cases are funded by a restricted contribution, and any surplus in these cases is transferred to deferred contributions. In the case of an annual shortfall in Criminal Category B cases, the society must first apply any eligible base criminal tariff surplus to the shortfall and then to deferred contributions.
- **Category C:** Within the approved budget within which a case will be accounted for, where the total of the fees and disbursements exceeds \$175,000, or where the case is one in which the rate payable to counsel exceeds the society's enhanced fee rate. These cases are funded through a special funding agreement with the Ministry of the Attorney General.



## 10. Expenses by object

The following is a summary of expenses by object:

	2020 Budget	2020 Actual	2019 Actual
Lawyer fees	\$ 41,732,700	\$ 50,209,857	\$ 43,617,362
Duty counsel fees	11,018,158	11,860,497	10,953,513
Disbursements	9,373,238	7,888,099	6,811,586
<b>Total tariff costs</b>	<b>62,124,096</b>	<b>69,958,453</b>	<b>61,382,461</b>
Salaries and benefits	20,320,172	18,803,352	15,544,658
Grants and contracted services	5,278,440	4,512,973	7,251,583
Premises	3,092,139	3,073,635	2,794,973
Local agents	1,820,500	1,712,831	1,782,907
Computers	1,131,388	2,515,852	2,486,414
Office	1,084,643	1,088,103	1,364,459
Amortization	1,491,245	2,363,110	2,338,959
Other contribution	-	3,940,000	-
Miscellaneous	975,669	369,157	534,789
Board expenses	205,508	114,375	132,039
Travel	491,200	277,596	185,068
<b>Total</b>	<b>\$ 98,015,000</b>	<b>\$ 108,729,437</b>	<b>\$ 95,798,310</b>

## 11. Administration expense

The administration expense includes the following expenditures in support of legal aid:

	2020 Actual	2019 Actual
Executive Office	\$ 1,242,264	\$ 1,237,329
Finance and Office Services	1,923,331	2,544,020
Strategic Policy, Planning and Human Resources	2,791,369	3,036,890
IT	4,100,039	3,716,933
Amortization	2,127,774	2,286,235
<b>Total</b>	<b>\$ 12,184,777</b>	<b>\$ 12,821,407</b>

## 12. Budgeted figures

The operating budgeted figures, presented on a basis consistent with that used for actual results, were approved by the board of directors on February 15, 2019, and submitted to the Ministry of the Attorney General on April 11, 2019 and were approved on May 1, 2019.

### 13. Contractual obligations

The society has the following contractual obligations.

	Premises leases	Operating costs	Total
2021	1,771,042	2,614,117	4,385,159
2022	1,762,646	85,350	1,847,996
2023	1,780,975	22,050	1,803,025
2024	1,810,052	—	1,810,052
2025	1,657,923	—	1,657,923
Thereafter	5,197,230	—	5,197,230
<b>Total</b>	<b>\$ 13,979,868</b>	<b>\$ 2,721,517</b>	<b>\$ 16,701,385</b>

Operating costs are service delivery contracts that are renewed over several years.

At year-end, the liability for future costs of legal services to be performed beyond the fiscal year, for which the society is currently committed, is estimated by management to be approximately \$30.3 million. This estimate uses the same methodology as described in note 5 for tariff payables.

### 14. Related parties

The society is related to the Province of British Columbia and its ministries, agencies, and Crown corporations. In this relationship, the province provided funding in the amount of \$99,361,547 (2019 — \$88,572,462), and the society is responsible for providing legal aid to individuals throughout British Columbia. At year-end, the province owed the society \$620,114 (2019 — \$964,132).

Certain members of the board of directors provide tariff services to the society. These services are provided in the regular course of business under the same terms and conditions as other lawyers. The total amount paid for their services during the year was \$159,079 (2019 — \$48,630). All payments to board members are reviewed by the finance committee on a quarterly basis.

### 15. Economic dependence

In 2020, the society received 94% (2019 — 92%) of its operating revenue from the Province of British Columbia.

### 16. Contingent liabilities

The nature of the society's activities is such that there is usually pending or prospective litigation at any time against the society. With respect to claims at March 31, 2020, management believes the society has valid defences and appropriate insurance coverage in place. Accordingly, no provision has been made in these financial statements for any liability that may result. In the event that any of these claims are successful, management believes they will not have a material effect on the society's financial position.

## 17. Risk management

### Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The society's accounts receivable are due primarily from government organizations and reputable organizations. The society's cash and investments are held at Canadian chartered banks and Canadian financial institutions, respectively. The society is not exposed to significant credit risk.

The society regularly assesses the collectability of its receivables. At year-end, there were no significant accounts receivable that were past due or impaired.

The society's maximum exposure to credit risk is \$13,699,802 (2019 - \$10,812,788).

### Liquidity risk

Liquidity risk is the risk that the society will not be able to meet its financial obligations as they fall due. The society's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due. Additionally, the society has a line of credit up to \$1.0 million with a Canadian chartered bank. The interest rate per annum is the bank's prime rate. At March 31, 2020, the society has \$nil drawn against this line (2019 — \$nil).

The maturity of the society's financial assets and liabilities as at year-end was as follows:

### 2020

	On demand	Up to 1 year	1 to 3 years	Total
<b>Financial assets</b>				
Cash	\$ 8,330,509	\$ —	\$ —	\$ 8,330,509
Investments	—	1,904,925	—	1,904,925
Accounts receivable	—	3,464,368	—	3,464,368
<b>Total financial assets</b>	<b>\$ 8,330,509</b>	<b>\$ 5,369,293</b>	<b>\$ —</b>	<b>\$ 13,699,802</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	—	6,229,213	—	6,229,213
Tariff accrual	—	10,389,670	—	10,389,670
Other liabilities	—	368,252	914,999	1,283,251
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 16,987,135</b>	<b>\$ 914,999</b>	<b>\$ 17,902,134</b>

## 17. Risk management (continued)

### Liquidity risk (continued)

2019

	On demand	Up to 1 year	1 to 3 years	Total
<b>Financial assets</b>				
Cash	\$ 201,446	\$ —	\$ —	\$ 201,446
Investments	—	4,997,569	1,952,175	6,949,744
Accounts receivable	—	3,661,598	—	3,661,598
<b>Total financial assets</b>	<b>\$ 201,446</b>	<b>\$ 8,659,167</b>	<b>\$ 1,952,175</b>	<b>\$ 10,812,788</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	—	6,947,191	—	6,947,191
Tariff accrual	—	9,246,494	—	9,246,494
Other liabilities	—	836,837	—	836,837
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 17,030,522</b>	<b>\$ —</b>	<b>\$ 17,030,522</b>

### Market risk

Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

#### (a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The society is not exposed to significant currency risk.

#### (b) Interest rate risk

Interest rate risk is the risk that the society's investments will change in fair value due to future fluctuations in market interest rates. The fair value of the investments, and the income they generate, varies as market interest rates vary. Currently all of the investments are held in guaranteed investment certificates and are not subject to significant market fluctuations. All other financial instruments are non-interest bearing.

#### (c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The society is not exposed to significant other price risk.

## 18. Measurement uncertainty

Program area		Amount reported	Measurement uncertainty	Range
Tariff accrual ( <i>note 5b</i> )	Min	\$ 10,389,670	\$ (1,038,967)	\$ 9,350,703
	Max	\$ 10,389,670	\$ 1,038,967	\$ 11,428,637
Tariff and transcript expenses ( <i>note 10</i> )	Min	\$ 69,958,453	\$ (6,995,845)	\$ 62,962,608
	Max	\$ 69,958,453	\$ 6,995,845	\$ 76,954,298

Variability in the tariff accrual arises from the rate at which cases proceed and changes in the average cost per case. In management's opinion, the tariff accrual and corresponding tariff expenses could change within a range of +/-10%.

During the year ended March 31, 2019, the society engaged an independent actuarial firm to review the tariff accrual model. The review concluded that, in the aggregate, the tariff model remains appropriate for determining the amount to be accrued. The next review will be in January 2022, with the results reported in the March 31, 2022 financial statements.

## 19. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Schedule 1 – Tangible Capital Assets

2020

Cost

	Balance, beginning of year	2020 Additions	2020 Disposals	Balance, end of year
Furniture	\$ 1,107,829	\$ —	\$ —	\$ 1,107,829
Equipment	687,981	—	—	687,981
Computer equipment	1,278,758	—	—	1,278,758
Computer software	2,793,084	30,712	912	2,822,884
Client Information System	5,811,214	—	—	5,811,214
Leasehold improvements	2,547,728	1,345,008	—	3,892,736
<b>Total</b>	<b>\$ 14,226,594</b>	<b>\$ 1,375,720</b>	<b>\$ 912</b>	<b>\$ 15,601,402</b>

### Accumulated amortization

	Balance, beginning of year	2020 Additions	2020 Disposals	Balance, end of year
Furniture	\$ (1,047,908)	\$ (20,672)	\$ —	\$ (1,068,580)
Equipment	(569,728)	(32,508)	—	(602,236)
Computer equipment	(1,062,023)	(54,183)	—	(1,116,206)
Computer software	(2,296,784)	(83,245)	—	(2,380,029)
Client Information System	(3,428,222)	(1,852,830)	—	(5,281,052)
Leasehold improvements	(273,068)	(319,672)	—	(592,740)
<b>Total</b>	<b>\$ (8,677,733)</b>	<b>\$ (2,363,110)</b>	<b>\$ —</b>	<b>\$ (11,040,843)</b>

### Net Book Value

	2020	2019
Furniture	\$ 39,249	\$ 59,921
Equipment	85,746	118,253
Computer equipment	162,552	216,735
Computer software	442,855	496,300
Client Information System	530,162	2,382,992
Leasehold improvements	3,299,996	2,274,660
<b>Total</b>	<b>\$ 4,560,560</b>	<b>\$ 5,548,861</b>

**Schedule 1 – Tangible Capital Assets (continued)**

**2019**

**Cost**

	Balance, beginning of year	2019 Additions	2019 Disposals	Balance, end of year
Furniture	\$ 1,107,829	\$ —	\$ —	\$ 1,107,829
Equipment	646,498	41,483	—	687,981
Computer equipment	1,278,758	—	—	1,278,758
Computer software	2,345,547	447,537	—	2,793,084
Client Information System	5,811,214	—	—	5,811,214
Leasehold improvements	681,432	1,866,296	—	2,547,728
<b>Total</b>	<b>\$ 11,871,278</b>	<b>\$ 2,355,316</b>	<b>\$ —</b>	<b>\$ 14,226,594</b>

**Accumulated amortization**

	Balance, beginning of year	2019 Additions	2019 Disposals	Balance, end of year
Furniture	\$ (1,024,178)	\$ (23,730)	\$ —	\$ (1,047,908)
Equipment	(543,314)	(26,414)	—	(569,728)
Computer equipment	(1,003,279)	(58,744)	—	(1,062,023)
Computer software	(2,210,955)	(85,829)	—	(2,296,784)
Client Information System	(1,355,347)	(2,072,875)	—	(3,428,222)
Leasehold improvements	(201,701)	(71,367)	—	(273,068)
<b>Total</b>	<b>\$ (6,338,774)</b>	<b>\$ (2,338,959)</b>	<b>\$ —</b>	<b>\$ (8,677,733)</b>

**Net Book Value**

	<b>2019</b>	<b>2018</b>
Furniture	\$ 59,921	\$ 83,651
Equipment	118,253	103,184
Computer equipment	216,735	275,479
Computer software	496,300	134,592
Client Information System	2,382,992	4,455,867
Leasehold improvements	2,274,660	479,731
<b>Total</b>	<b>\$ 5,548,861</b>	<b>\$ 5,532,504</b>