



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements of Legal Services Society (the Society) as at March 31, 2019 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

The Society's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - the statement of operations and accumulated operating surplus for the year then ended;
 - the statement of changes in net financial assets/liabilities for the year then ended;
 - the statement of cash flows for the year then ended;
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Emphasis of matter - basis of accounting

We draw attention to note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 3 to the financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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 accounting requirements 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 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, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 15, 2019

Legal Services Society

Statement of financial position

as at March 31, 2019

	2019	2018
Financial assets		
Cash (note 16)	\$ 201,446	\$ 1,713,163
Investments (notes 4 and 16)	6,949,744	9,974,187
Accounts receivable (note 16)		
Government of British Columbia (note 13)	964,132	3,115,312
Government of Canada	918,072	529,430
Other	1,779,394	633,082
Total financial assets	10,812,788	15,965,174
Liabilities		
Accounts payable and accrued liabilities		
General (note 5a)	3,861,371	2,973,658
Tariff (note 5b)	12,332,313	14,200,641
Employee future benefits (note 3dii)	227,800	252,000
Long-term liabilities (note 7)	609,037	625,184
Total liabilities	17,030,521	18,051,483
Net financial (liabilities)	(6,217,733)	(2,086,309)
Non-financial assets		
Tangible capital assets (Schedule 1)	5,548,861	5,532,504
Prepaid expenses	4,608,567	493,500
Total non-financial assets	10,157,428	6,026,004
Accumulated surplus (note 8)	\$ 3,939,695	\$ 3,939,695
Contractual obligations (note 12)		
Economic dependence (note 14)		
Contingent liabilities (note 15)		

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



Celeste Haldane, QC
Chair of the Board of Directors



Dinyar Marzban, QC
Acting Chair of the Finance Committee

Legal Services Society

Statement of operations and accumulated surplus

for the year ended March 31, 2019

	Budget <i>(note 11)</i>	2019	2018
Revenue			
Government of British Columbia <i>(notes 9 and 13)</i>	\$ 90,889,000	\$ 88,572,462	\$ 80,670,804
Law Foundation	3,095,000	3,983,750	2,346,250
Department of Justice — Canada	—	16,452	203,635
Notary Foundation	825,000	2,603,590	872,755
Investment income	268,000	372,789	254,779
Miscellaneous	115,000	249,267	231,741
Total revenue	95,192,000	95,798,310	84,579,964
Expenses <i>(note 10)</i>			
Criminal tariff	43,561,000	43,876,243	43,765,083
Family tariff	17,399,000	17,567,961	14,766,382
Child protection tariff	8,903,000	7,091,896	7,780,990
Immigration and refugee tariff	2,254,000	3,321,796	2,981,391
Justice Innovation and Transformation Initiatives	8,900,000	5,292,999	3,857,159
Publishing	2,134,000	3,593,406	1,787,067
Community engagement	862,000	806,312	1,063,296
Indigenous services	1,276,000	1,426,290	638,275
Administration	9,903,000	12,821,407	9,340,321
Total expenses	95,192,000	95,798,310	85,979,964
Net loss	—	—	(1,400,000)
Accumulated surplus at beginning of year	3,940,000	3,939,695	5,339,695
Accumulated surplus at end of year <i>(note 8)</i>	\$ 3,940,000	\$ 3,939,695	\$ 3,939,695

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

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Statement of changes in net financial assets / liabilities

for the year ended March 31, 2019

	Budget (note 11)	2019	2018
Net loss	\$ —	\$ —	(1,400,000)
Acquisition of tangible capital assets	(934,000)	(2,355,316)	(1,345,004)
Amortization	786,000	2,338,959	790,671
Loss from disposal of tangible capital assets			48,729
	(148,000)	(16,357)	(505,604)
Acquisition of prepaid expenses	—	(4,608,567)	(493,500)
Use of prepaid expenses	—	493,500	532,062
	—	(4,115,067)	38,562
Increase/(decrease) in net financial liabilities	(148,000)	(4,131,424)	(1,867,042)
Net financial (liabilities) at beginning of year	(219,267)	(2,086,309)	(219,267)
Net financial (liabilities) at end of year	\$ (367,267)	\$ (6,217,733)	\$ (2,086,309)

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, 2019

	2019	2018
Operating transactions		
Cash received		
Transfers from Government of British Columbia	\$ 90,723,641	\$ 79,357,982
Grants received	5,646,879	3,219,005
Interest	372,789	254,779
GST recovered (net)	—	837,178
Leasehold inducement received	—	193,410
Other	1,124,113	833,093
	<u>97,867,422</u>	<u>84,695,447</u>
Cash paid		
Legal aid tariff	63,074,534	56,816,112
Salaries and benefits	15,184,515	12,899,788
Rent	3,249,905	1,931,212
Services	10,924,292	2,434,537
GST paid (net)	425,946	—
Other Contributions	3,940,000	—
All other	3,249,074	7,708,680
	<u>100,048,266</u>	<u>81,790,329</u>
Cash (used in) provided by operations	(2,180,844)	2,905,118
Capital transactions		
Cash used to acquire tangible capital assets	(2,355,316)	(1,345,004)
Investing transactions		
Investments purchased	(7,321,708)	(3,000,000)
Investments redeemed	10,346,151	2,758,544
Cash provided by (used in) investing transactions	<u>3,024,443</u>	<u>(241,456)</u>
(Decrease)/increase in cash	(1,511,717)	1,318,658
Cash at beginning of year	1,713,163	394,505
Cash at end of year	\$ 201,446	\$ 1,713,163

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, 2019

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 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.

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 of British Columbia. This section requires that financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), except in regards to government transfers as described in note 3(a).

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 occurred. 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.

Restricted contributions received or receivable are deferred and amortized into revenue as the related expenses are incurred. This accounting policy complies with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. However, this accounting treatment is different from the requirements of Canadian PSAS, which require that government contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability. In this case, the transfer is recognized as revenue over the period that the liability is extinguished. The impact of this policy on the financial statements was not material.

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(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 management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates, and discount rates.

(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 writedowns (if any) are accounted for as expenses in the statement of operations.

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In 2019, the society changed its useful life estimates for Client Information System (CIS) from ten years to five years. The impact of this change in estimate is being applied on a prospective basis and resulted in an increase in amortization expense of \$1.3 million for the year ended March 31, 2019.

(f) Asset retirement obligation

The society recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets, which results from the acquisition, construction, development, and/or normal use of the assets. The society concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted, risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in the statement of operations as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

(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 market 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 market value and subsequently measured at amortized cost. The effective interest method is used to determine income.

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.

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.

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(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 life of tangible capital assets and the resulting amortization, asset retirement obligation, 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.

(j) Newly adopted accounting standards:

Effective April 1, 2018, the society adopted PS 3430 – Restructuring Transactions. The adoption of this standard does not have a material impact on the financial statements.

4. Investments

The carrying value of the society's investments is \$6,949,744 (2018 — \$9,974,187). Included in investments is \$196,744 for accrued interest (2018 — \$147,253). Investments have maturities ranging from July 2019 to April 2020 and rates of return ranging from 2.00% to 3.05%.

The investments have a market value at March 31, 2019, of \$6,910,859 (2018 — \$9,959,683). Investments are recorded at amortized cost less any writedowns associated with a loss in value that is other than a temporary decline.

5. Accounts payable and accrued liabilities

(a) General

	2019	2018
Trade payables	\$ 2,637,846	\$ 2,110,276
Payroll payables	1,223,525	863,382
Total	\$ 3,861,371	\$ 2,973,658

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(b) Tariff

	2019	2018
Submittals approved, not paid	\$ 1,484,927	3,770,390
Submittals not approved	1,600,892	1,301,251
Accrual (<i>note 17</i>)	9,246,494	9,129,000
Total	\$ 12,332,313	\$ 14,200,641

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 \$9,246,494 (2018 — \$9,129,000). 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 17).

6. Employee future benefits

(a) Pension plan

The society and its employees contribute to the Municipal Pension Plan (jointly trusted 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 193,000 active members and 90,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation for the Municipal Pension Plan will be as at December 31, 2018, with results available in 2019.

The society paid \$949,391 (2018 — \$903,647) for employer contributions to the plan.

(b) Non-vested sick leave

Employees are credited days per year, ranging from six to 10 days, for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits

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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. The benefit cost and liabilities related to the plan are included in the financial statements. Employee unused sick bank is not paid out at retirement.

7. Long-term liabilities

	2019	2018
Leasehold inducements	\$ 609,037	\$ 625,184
Balance, end of year	\$ 609,037	\$ 625,184

(a) Asset retirement obligation

In previous years, long-term liabilities included the society's accrual for its asset retirement obligation for the estimated costs of restoring certain leased facilities to their original condition at the end of the lease terms. During fiscal 2017/18, the society negotiated an extension to the lease. Included in the extension was the removal of the asset retirement obligation. The asset retirement obligation has been redesignated as a leasehold inducement and is being amortized over the period of the new lease. The following is a reconciliation of the changes in the asset retirement obligation during the year:

	2019	2018
Balance, beginning of year	\$ —	\$ 516,400
Accretion expense	—	17,148
Transfer to leasehold inducements	—	(533,548)
Balance, end of year	\$ —	\$ —

The accretion expense is included in the premises expense.

(b) Leasehold inducements

	2019	2018
Total leasehold inducements	\$ 746,357	\$ 683,341
Less: current portion	(137,320)	(58,157)
Long-term portion	\$ 609,037	\$ 625,184

8. Accumulated surplus

	2019	2018
Total accumulated surplus at end of year	\$ 3,939,695	\$ 3,939,695

9. Restricted contribution

	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	\$ —

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.

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10. Expenses by object

The following is a summary of expenses by object:

	2019 Budget	2019 Actual	2018 Actual
Lawyer fees	\$ 45,035,398	\$ 43,617,362	\$ 42,963,356
Duty counsel fees	10,024,945	10,953,513	10,109,050
Disbursements	5,797,602	6,811,586	6,131,512
Total tariff costs	60,857,945	61,382,461	59,203,918
Salaries and benefits	18,008,482	15,544,658	12,938,505
Grants and contracted services	7,699,630	7,251,583	5,561,961
Premises	2,462,199	2,794,973	1,931,212
Local agents	1,820,500	1,782,907	1,768,587
Computers	1,207,848	2,486,414	1,924,010
Office	1,407,253	1,364,459	976,642
Amortization	786,000	2,338,959	790,671
Loss from disposal	-	-	48,729
Miscellaneous	285,539	534,789	570,799
Board expenses	183,004	132,039	159,313
Travel	473,600	185,068	105,617
Total	\$ 95,192,000	\$ 95,798,310	\$ 85,979,964

11. 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 21, 2018, and submitted to the Ministry of the Attorney General on February 21, 2018 and were approved on March 13, 2018.

12. Contractual obligations

The society has the following contractual obligations:

	Premises leases	Operating costs	Total
2020	\$ 1,690,893	\$ 2,827,760	\$ 4,518,653
2021	1,771,042	1,489,901	3,260,943
2022	1,762,646	39,300	1,801,946
2023	1,747,576	—	1,747,576
2024	1,776,654	—	1,776,654
Thereafter	6,836,652	—	6,836,652
Total	\$ 15,585,463	\$ 4,356,961	\$ 19,942,424

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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 \$24.8 million. This estimate uses the same methodology as described in note 5 for tariff payables.

13. 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 \$88,572,462 (2018 — \$80,670,804), and the society is responsible for providing legal aid to individuals throughout British Columbia. At year-end, the province owed the society \$964,132 (2018 — \$3,115,312).

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 \$48,630 (2018 — \$40,106). All payments to board members are reviewed by the finance committee on a quarterly basis.

14. Economic dependence

In 2018, the society received 92% (2018 — 95%) of its operating revenue from the Province of British Columbia.

15. 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, 2019, 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.

16. 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.

At year-end, there were no significant accounts receivable that were past due or impaired.

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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, 2019, the society has \$nil drawn against this line (2018 — \$nil).

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

2019

	On demand	Up to 1 year	1 to 3 years	Total
Financial assets				
Cash	\$ 201,446	\$ —	\$ —	\$ 201,446
Investments	—	4,997,569	1,952,175	6,949,744
Accounts receivable	—	3,661,598	—	3,661,598
Total financial assets	\$ 201,446	\$ 8,659,167	\$ 1,952,175	\$ 10,812,788
Liabilities				
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
Total liabilities	\$ —	\$ 17,030,522	\$ —	\$ 17,030,522

2018

	On demand	Up to 1 year	1 to 3 years	Total
Financial assets				
Cash	\$ 1,713,163	\$ —	\$ —	\$ 1,713,163
Investments	—	5,390,193	4,583,994	9,974,187
Accounts receivable	—	4,277,824	—	4,277,824
Total financial assets	\$ 1,713,163	\$ 9,668,017	\$ 4,583,994	\$ 15,965,174
Liabilities				
Accounts payable and accrued liabilities	—	8,045,299	—	8,045,299
Tariff accrual	—	9,129,000	—	9,129,000
Other liabilities	—	877,184	—	877,184
Total liabilities	\$ —	\$ 18,051,483	\$ —	\$ 18,051,483

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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. All other financial instruments are non-interest bearing. The society mitigates this risk by monitoring interest rates.

(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.

17. Measurement uncertainty

Program area		Amount reported	Measurement uncertainty	Range
Tariff accrual (<i>note 5b</i>)	Min	\$ 9,246,494	\$ (924,649)	\$ 8,321,845
	Max	\$ 9,246,494	\$ 924,649	\$ 10,171,143
Tariff and transcript expenses (<i>note 10</i>)	Min	\$ 61,382,461	\$ (924,649)	\$ 60,457,812
	Max	\$ 61,382,461	\$ 924,649	\$ 62,307,110

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.

Legal Services Society

Schedule 1 – Tangible Capital Assets

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	2,477,664	1,866,296	—	4,343,960
Total	\$ 13,667,510	\$ 2,355,316	\$ —	\$ 16,022,826

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	(1,997,933)	(71,367)	—	(2,069,300)
Total	\$ (8,135,006)	\$ (2,338,959)	\$ —	\$ (10,473,965)

Net Book Value

	2019	2018
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
Total	\$ 5,548,861	\$ 5,532,504