

Financial statements of

Legal Aid BC

March 31, 2023

Legal Aid BC

March 31, 2023

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Management's Report

Management's Responsibility for the Legal Aid BC Financial Statements

The financial statements of Legal Services Society (which is referred to in these financial statements under its operating name of Legal Aid BC) as at and for the year ended March 31, 2023 (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 Legal Aid BC 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 Legal Aid BC



Steven Veinot, CPA, CMA, SCMP
Chief Financial Officer

Independent Auditor's Report

To the Directors of
Legal Aid BC

Opinion

We have audited the financial statements of Legal Aid BC (the "Society"), which comprise the statement of financial position as at March 31, 2023, 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, 2023 are prepared, in all material respects, in accordance with the financial reporting provisions of 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.

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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a bold, sans-serif font.

Chartered Professional Accountants
May 15, 2023
Vancouver, British Columbia

Statement of financial position

as at March 31, 2023

	2023	2022
Financial assets		
Cash (note 17)	\$ 11,161,348	\$ 12,291,868
Accounts receivable (note 17)		
Government of British Columbia (note 14)	5,173,946	1,024,172
Government of Canada	845,474	1,149,997
Other	7,519,830	979,322
Total financial assets	24,700,598	15,445,359
Liabilities		
Accounts payable and accrued liabilities (note 17)		
General (note 5a)	6,247,559	2,495,491
Tariff (note 5b)	16,492,930	15,790,445
Deferred contributions (note 9)	5,076,108	—
Employee future benefits (notes 6(b) and 17)	184,200	191,200
Long-term liabilities (notes 7 and 17)	615,693	758,111
Total liabilities	28,616,490	19,235,247
Net debt	(3,915,892)	(3,789,888)
Non-financial assets		
Tangible capital assets (Schedule 1)	4,621,144	4,530,910
Prepaid expenses	234,215	198,445
Total non-financial assets	4,855,359	4,729,355
Accumulated surplus (note 8)	\$ 939,467	\$ 939,467
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.

Approval of the financial statements by:



Karen Christiansen, FCPA, FCA
Chair of the Board of Directors



Allan P. Seckel, KC
Chair of the Finance Committee

Statement of operations and accumulated surplus

for the year ended March 31, 2023

	Budget (note 12)	2023	2022
Revenue			
Government of British Columbia (notes 9 and 14)	\$ 114,072,000	\$ 111,966,575	\$ 108,618,894
Federal Government	2,215,000	6,834,895	—
Law Foundation	3,250,000	2,463,311	3,535,429
Department of Justice — Canada	—	31,398	60,467
Notary Foundation	500,000	—	1,184,504
Investment	100,000	550,554	111,251
Miscellaneous	115,000	655,006	497,097
Total revenue	120,252,000	122,501,738	114,007,642
Expenses (notes 10, 14)			
Criminal tariff	61,024,986	59,345,471	58,056,859
Family tariff	30,124,363	28,865,225	27,775,243
Child protection tariff	7,733,296	6,188,783	6,060,184
Immigration and refugee tariff	3,901,160	6,834,895	4,100,377
Federally Funded Initiatives	—	3,061,029	—
Parents Legal Centres	6,551,494	6,117,621	6,137,962
Publishing	2,134,941	1,779,170	2,496,805
Community engagement	823,870	789,727	914,790
Indigenous services	707,133	755,459	673,041
Administration (note 11)	7,250,757	8,764,359	7,792,380
Total expenses	120,252,000	122,501,738	114,007,642
Surplus / (Deficit) for the year	—	—	—
Accumulated surplus at beginning of year	939,467	939,467	939,467
Accumulated surplus at end of year (note 8)	939,467	\$ 939,467	\$ 939,467

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

Statement of changes in net debt

for the year ended March 31, 2023

	Budget (note 12)	2023	2022
Surplus / (Deficit) for the year	\$ —	\$ —	\$ —
Acquisition of tangible capital assets	(1,338,000)	(1,155,263)	(2,138,213)
Amortization	1,163,000	1,065,029	912,080
	<u>(175,000)</u>	<u>(90,234)</u>	<u>(1,226,133)</u>
Acquisition of prepaid expenses	—	(322,776)	(204,069)
Use of prepaid expenses	—	287,007	421,538
	<u>—</u>	<u>(35,769)</u>	<u>217,469</u>
Increase in net debt	(175,000)	(126,003)	(1,008,664)
Net debt at beginning of year	<u>(3,789,888)</u>	<u>(3,789,888)</u>	<u>(2,781,224)</u>
Net debt at end of year	<u>\$ (3,964,888)</u>	<u>\$ (3,915,892)</u>	<u>\$ (3,789,888)</u>

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

Statement of cash flows
for the year ended March 31, 2023

	2023	2022
Cash provided by (applied to) operating activities		
Deficit for the year	\$ —	\$ —
Items not involving cash:		
Amortization	1,065,029	912,080
Long term liabilities	(142,419)	(156,888)
<i>Changes in non-cash working capital:</i>		
Accounts receivable	(5,745,759)	1,950,440
Accounts payable, accrued liabilities and deferred contributions	4,890,661	225,839
Prepaid expenses	(35,769)	217,469
Employee future benefits	(7,000)	(26,600)
Total change from Operating activities	24,743	3,122,340
Cash applied to capital activities		
Purchase of tangible capital assets	(1,155,263)	(2,138,213)
Total change from Capital activities	(1,155,263)	(2,138,213)
(Decrease) increase in cash	(1,130,520)	984,127
Cash at beginning of year	12,291,868	11,307,741
Cash at end of year	\$ 11,161,348	12,291,868
Supplemental disclosure of non-cash transactions:		
Deferred contribution not yet received	\$ 4,640,000	—

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, 2023**

1. Overview

Legal Services Society (which is referred to in these financial statements under its operating name of Legal Aid BC) was established under the Legal Services Society Act on October 1, 1979 (as revised on May 31, 2007). Legal Aid BC 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. Legal Aid BC 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 Legal Aid BC 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.

Legal Aid BC 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. It is still unknown at this time how and when the justice system will fully re-open and when billing patterns will return to pre-pandemic levels.

Legal Aid BC's largest risk continues to be fluctuating demand and costs for services. Legal Aid BC cannot predict the demand for tariff services with a high degree of certainty, nor the pace at which cases move through the court system and are ultimately billed. The inability to control demand (socioeconomic and morphing court procedures) continues to be the most significant risk to Legal Aid BC in meeting its financial targets.

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 Legal Aid BC as at and for the year ended March 31, 2023 is significant as aggregate contributions of \$5,076,108 have been deferred as at March 31, 2023.

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 Legal Aid BC and an estimate of services performed by lawyers but not yet billed to Legal Aid BC.

(d) Employee future benefits

- i. Legal Aid BC's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. Legal Aid BC 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 Legal Aid BC’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 computer software licenses, and deposits. These items are charged to expense over the periods expected to benefit from them.

(h) Financial instruments

Legal Aid BC’s financial instruments consist of cash, 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 Legal Aid BC's cash, accounts receivable, and accounts payable and accrued liabilities generally approximate their carrying amounts due to their short term to maturity.

(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 18). Other areas where estimates are made include allowances for doubtful 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, 2023, Legal Aid BC held no investments (2022 — \$nil).

5. Accounts payable and accrued liabilities

(a) General

		2023	2022
Trade payables	\$	4,884,394	\$ 1,043,057
Payroll payables		1,363,165	1,452,434
Total	\$	6,247,559	\$ 2,495,491

(b) Tariff

		2023	2022
Submittals approved, not paid	\$	440,513	\$ 1,873,047
Submittals not approved		2,135,777	1,932,476
Accrual (note 18)		13,916,640	11,984,922
Total	\$	16,492,930	\$ 15,790,445

5. Accounts payable and accrued liabilities (continued)

Legal Aid BC uses an actuarial model to estimate legal services performed but not yet billed to Legal Aid BC. Management estimated this liability to be approximately \$13,916,640 (2022 — \$11,984,922). 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).

Legal Aid BC does not record a liability, and related accounts receivable, for certain legal services performed but not yet billed to Legal Aid BC as the amount cannot be estimated reliably. For these legal cases, the related costs are fully reimbursed to Legal Aid BC 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

Legal Aid BC 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, 2021, the Municipal Pension Plan had approximately 227,493 active members and 118,048 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, 2021, showed the plan's basic account, which pays lifetime pensions, was 103.9 percent funded with actuarial assets of \$73.11 billion and actuarial liabilities of \$70.37 billion. There is a surplus of \$2.74 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.

Legal Aid BC paid \$1,204,319 (2022 — \$1,291,289) for employer contributions to the plan during the year ended March 31, 2023.

(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.

	2023	2022
Leasehold inducements	\$ 615,693	\$ 758,111
Less: current portion	(129,310)	(148,148)
Long-term portion	\$ 486,383	\$ 609,963

8. Accumulated surplus

The use of the accumulated surplus is restricted by the terms of the Legal Services Society Act and as well as by approval from the Board of Directors.

9. Restricted contributions

2023

	Opening deferred contribution	Approved budget	Additional contributions	Recognized in operations	Closing deferred contribution
Government of British Columbia — Category B	\$ —	\$ 3,292,000	\$ 394,052	\$ 3,686,052	\$ —

2022

	Opening deferred contribution	Approved budget	Additional contributions	Recognized in operations	Closing deferred contribution
Government of British Columbia — Category B	\$ —	\$ 3,292,000	\$ 531,238	\$ 3,823,238	\$ —

9. Restricted contributions (continued)

Legal Aid BC'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. The MOU was renewed effective April 1, 2020, and provides 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, Legal Aid BC 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 Legal Aid BC's enhanced fee rate. These cases are funded through a special funding agreement with the Ministry of the Attorney General.

In addition to the contributions described above, in 2023 Legal Aid BC recognized and deferred contributions of \$5,076,108 related to projects for which the associated expenditures have not yet occurred.

10. Expenses by object

The following is a summary of expenses by object:

	2023 Budget	2023 Actual	2022 Actual
Lawyer fees	\$ 65,915,048	\$ 62,149,362	\$ 60,973,563
Duty counsel fees	13,824,380	14,057,575	13,379,220
Disbursements	5,998,502	6,540,545	5,406,901
Total tariff costs	85,737,930	82,747,482	79,759,684
Salaries and benefits	20,556,850	20,170,373	20,171,683
Grants and contracted services	4,258,600	9,866,939	5,544,436
Computers	1,616,490	2,333,321	1,582,447
Premises	3,257,177	3,002,581	2,905,059
Local agents	1,757,200	1,911,858	1,744,450
Amortization	1,552,859	1,065,067	912,080
Office	759,235	679,990	677,206
Miscellaneous	530,416	515,768	592,385
Board expenses	155,841	76,429	83,417
Travel	69,402	131,930	34,795
Total	\$ 120,252,000	\$ 122,501,738	\$ 114,007,642

11. Administration expense

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

	2023	2022
Executive Office	\$ 1,507,652	\$ 1,231,435
Finance and Office Services	2,938,877	2,213,435
Strategic Policy, Planning and Human Resources	2,207,998	2,667,978
IT Operation Services	2,109,832	1,679,532
Total	\$ 8,764,359	\$ 7,792,380

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 10, 2022, and submitted to the Ministry of the Attorney General on March 14, 2022 and were approved on April 11, 2022.

13. Contractual obligations

Legal Aid BC has the following contractual obligations.

	Premises leases	Operating costs	Total
2024	1,810,052	3,534,839	5,344,891
2025	1,657,923	—	1,657,923
2026	1,381,287	—	1,381,287
2027	1,424,194	—	1,424,194
2028	1,424,194	—	1,424,194
Thereafter	1,068,145	—	1,068,145
Total	\$ 8,765,795	\$ 3,534,839	\$ 12,300,633

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

At year-end, the commitment for future costs of legal services to be performed beyond the fiscal year, for which Legal Aid BC is currently committed, is estimated by management to be approximately \$42.0 million (2022 — \$32.1 million). This estimate uses the same methodology as described in note 5 for tariff payables.

14. Related parties

Legal Aid BC 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 \$111,966,575 (2022 — \$108,618,894), and Legal Aid BC is responsible for providing legal aid to individuals throughout British Columbia. At year-end, the province owed Legal Aid BC \$5,173,946 (2022 — \$1,024,172).

Certain members of the Board of Directors provide tariff services to Legal Aid BC. 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 \$206,522 (2022 — \$194,094). All payments to Board members are reviewed by the Finance Committee on a quarterly basis.

15. Economic dependence

In 2023, Legal Aid BC received 91% (2022 — 95%) of its total revenue from the Province of British Columbia, and as a result is economically dependent on the continuation of this funding.

16. Contingent liabilities

The nature of Legal Aid BC's activities is such that there is usually pending or prospective litigation at any time against Legal Aid BC. With respect to claims at March 31, 2023, management believes Legal Aid BC 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.

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. Legal Aid BC's accounts receivable are due primarily from government organizations and other organizations with limited credit risk. Legal Aid BC's cash is held at Canadian chartered banks and Canadian financial institutions. In management's opinion, Legal Aid BC is not exposed to significant credit risk.

Legal Aid BC regularly assesses the collectability of its receivables. At year-end, there were no significant accounts receivable that were past due or impaired. To the extent Legal Aid BC identifies an account where collection is doubtful, an allowance will be recorded as appropriate.

Legal Aid BC's maximum exposure to credit risk is represented by aggregate financial assets of \$24,700,598 (2022 - \$15,445,359).

Liquidity risk

Liquidity risk is the risk that Legal Aid BC will not be able to meet its financial obligations as they fall due. Legal Aid BC'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, Legal Aid BC has a line of credit available with a maximum authorized limit of up to \$1.0 million with a Canadian chartered bank. The interest rate per annum is the bank's prime rate. At March 31, 2023, Legal Aid BC has \$nil drawn against this line (2022 — \$nil).

The expected maturity of Legal Aid BC's financial assets and liabilities as at year-end is as follows:

2023

	On demand	Up to 1 year	1 to 3 years	Total
Financial assets				
Cash	\$ 11,161,348	\$ —	\$ —	\$ 11,161,348
Accounts receivable	—	13,539,250	—	13,539,250
Total financial assets	\$ 11,161,348	\$ 13,539,250	\$ —	\$ 24,700,598
Liabilities				
Accounts payable and accrued liabilities	—	8,823,850	—	8,823,850
Tariff accrual	—	13,916,640	—	13,916,640
Other liabilities	—	5,389,618	486,382	5,876,000
Total liabilities	\$ —	\$ 28,130,108	\$ 486,382	\$ 28,616,490

17. Risk management (continued)**Liquidity risk (continued)****2022**

	On demand	Up to 1 year	1 to 3 years	Total
Financial assets				
Cash	\$ 12,291,868	\$ —	\$ —	\$ 12,291,868
Accounts receivable	—	3,153,491	—	3,153,491
Total financial assets	\$ 12,291,868	\$ 3,153,491	\$ —	\$ 15,445,359
Liabilities				
Accounts payable and accrued liabilities	—	4,631,789		4,631,789
Tariff accrual	—	13,654,147		13,654,147
Other liabilities	—	348,088	609,963	949,311
Total liabilities	\$ —	\$ 18,634,024	\$ 609,963	\$ 19,235,247

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. Legal Aid BC is not exposed to significant currency risk.

(b) Interest rate risk

Interest rate risk is the risk that Legal Aid BC's cash flow will change due to future fluctuations in market interest rates. A change of 1% in market interest rates would have an impact of approximately \$100,000 on interest revenue.

(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). Legal Aid BC 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	\$ 13,916,640	(1,391,664)	\$ 12,524,976
	Max	\$ 13,916,640	1,391,664	\$ 15,308,304
Tariff and transcript expenses (<i>note 10</i>)	Min	\$ 82,747,482	(1,391,664)	\$ 81,355,818
	Max	\$ 82,747,482	1,391,664	\$ 84,139,146

Variability in the tariff accrual can arise from the rate at which cases proceed and unanticipated changes in the average cost per case. In management's opinion, the tariff accrual and corresponding tariff expenses are subject to change within a range of plus or minus ten percent from the amounts recorded in these financial statements due to uncertainties regarding both timing and costs. The estimate of this level of variability is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance.

During the year ended March 31, 2019, Legal Aid BC 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.

19. Changes in presentation

Certain comparative figures have been reclassified to conform to the method of presentation adopted in the current year.

Schedule 1 – Tangible Capital Assets

2023

Cost

(\$000)	Balance, beginning of year	2023 Additions ¹	2023 Disposals	Balance, end of year
Furniture	\$ 1,107			1,107
Equipment	688			688
Computer equipment	1,396			1,396
Computer software	4,713	1,155		5,868
Client Information System	5,811			5,811
Leasehold improvements	3,893			3,893
Total	\$ 17,608	1,155		18,763

¹Computer software additions represent work in progress and therefore are not amortized in the current fiscal year.

Accumulated amortization

(\$000)	Balance, beginning of year	2023 Additions	2023 Disposals	Balance, end of year
Furniture	\$ (1,106)	(1)		(1,107)
Equipment	(667)	(15)		(682)
Computer equipment	(1,260)	(78)		(1,338)
Computer software	(2,523)	(431)		(2,954)
Client Information System	(5,811)			(5,811)
Leasehold improvements	(1,709)	(541)		(2,250)
Total	\$ (13,077)	(1,066)		(14,142)

Net Book Value

(\$000)	2023	2022
Furniture	\$ -	\$ 1
Equipment	6	21
Computer equipment	58	136
Computer software	2913	2,190
Client Information System	-	
Leasehold improvements	1,643	2,183
Total	4,621	4,531

Schedule 1 – Tangible Capital Assets (continued)

2022

Cost

(\$000)	Balance, beginning of year	2022 Additions	2022 Disposals	Balance, end of year
Furniture	\$ 1,107			1,107
Equipment	688			688
Computer equipment	1,396			1,396
Computer software	2,575	2,138		4,713
Client Information System	5,811			5,811
Leasehold improvements	3,893			3,893
Total	\$ 15,470	2,138		17,608

Accumulated amortization

(\$000)	Balance, beginning of year	2022 Additions	2022 Disposals	Balance, end of year
Furniture	\$ (1,089)	(17)		(1,106)
Equipment	(635)	(32)		(667)
Computer equipment	(1,182)	(78)		(1,260)
Computer software	(2,463)	(60)		(2,523)
Client Information System	(5,644)	(167)		(5,811)
Leasehold improvements	(1,153)	(557)		(1,710)
Total	\$ (12,166)	(911)		(13,077)

Net Book Value

(\$000)	2022	2021
Furniture	\$ 1	\$ 18
Equipment	21	53
Computer equipment	136	214
Computer software	2,190	112
Client Information System	-	168
Leasehold improvements	2,183	2,740
Total	4,531	3,304