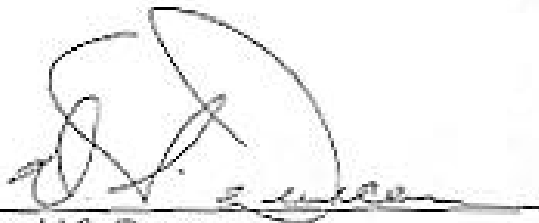


**Legal Services Society
Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of the Society's financial statements. This responsibility includes maintaining the integrity and objectivity of the Society's financial records, and presenting the Society's financial statements in accordance with generally accepted accounting principles for non-profit organizations.

Management maintains a system of internal control that ensures that all material agreements and transactions of the Society are properly recorded. The Society's financial statements for the year ended March 31, 2000 have been examined by the Office of the Auditor General. Their examination was made in accordance with generally accepted auditing standards, and included obtaining a sufficient understanding of the Society's internal controls to plan the audit.

The Board of Directors of the Society is composed solely of directors who are not employees of the Society. The Board, acting through its Finance Committee, is responsible for determining that management fulfils its responsibilities in the preparation of the financial statements and the control of the Society's financial operations. The Finance Committee meets with staff of the Office of the Auditor General to discuss their audit work, the Society's internal controls, and the financial statements. The Board of Directors is responsible for approving the financial statements.



David S. Duncan
Chief Executive Officer



Nancy Peck
Director Finance and Administration

Report of the Auditor General of British Columbia

*To the Members of the Board of Directors,
Legal Services Society, and*

*To the Attorney General,
Province of British Columbia:*

I have audited the balance sheet of the *Legal Services Society* as at March 31, 2000 and the statements of accumulated deficit, income and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Legal Services Society* as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.



Wayne Streliaff, C.A.
Auditor General

*Victoria, British Columbia
May 19, 2000*

Legal Services Society

Balance Sheet

as at March 31, 2000

	2000	1999
Assets		
Current assets		
Cash	\$ 4,716,304	\$ -
Accounts receivable		
- Provincial Government	69,241	789,415
- Government of Canada	959,655	984,118
- other	332,762	170,335
Prepaid expenses	440,191	546,000
Total Current Assets	<u>6,518,153</u>	<u>2,489,868</u>
Capital assets (note 4)	<u>3,396,396</u>	<u>1,677,730</u>
	<u>\$ 9,914,549</u>	<u>\$ 4,167,598</u>
Liabilities		
Current liabilities		
Operating line of credit	\$ -	\$ 3,571,821
Accounts payable		
- general	1,344,567	1,622,761
- tariff	13,731,972	8,237,756
Professional staff benefits plan	806,672	723,519
Current portion of obligation under capital lease (note 7)	570,621	81,124
Deferred income	87,601	60,792
Total Current Liabilities	<u>16,541,433</u>	<u>14,277,773</u>
Long-term liabilities		
Obligation under capital lease (note 7)	<u>746,181</u>	<u>157,814</u>
	<u>17,287,614</u>	<u>14,435,587</u>
Accumulated deficit	<u>(7,373,065)</u>	<u>(10,267,989)</u>
	<u>\$ 9,914,549</u>	<u>\$ 4,167,598</u>

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

Approved by the Board



Rance Hall

Legal Services Society
Statement of Accumulated Deficit
For the year ended March 31, 2000

	2000	1999
Accumulated deficit		
Beginning of year	\$ (10,267,989)	\$ (16,145,640)
Add excess of income over expenditures for the year	2,894,924	5,877,651
End of year	<u>\$ (7,373,065)</u>	<u>\$ (10,267,989)</u>

Legal Services Society
Statement of Income and Expenditures
For the year ended March 31, 2000

	2000	1999
Income		
Grants		
Province of British Columbia	\$ 81,810,541	\$ 82,034,961
Law Foundation	3,173,000	2,975,000
Notary Foundation	475,658	489,790
	<u>85,461,199</u>	<u>85,499,751</u>
Other income		
Interest	653,759	211,827
Legal costs recovered from clients	199,143	186,961
Miscellaneous	230,847	314,508
	<u>1,083,749</u>	<u>713,296</u>
	<u>86,544,948</u>	<u>86,213,047</u>
Expenditures		
Amortization	1,071,140	510,369
Area directors	189,336	191,269
Board expenses	133,392	101,384
Computer	1,595,489	1,208,890
Duty counsel	2,656,882	2,462,913
Grants and contracted services	10,008,489	10,265,926
Libraries	268,768	250,714
Miscellaneous	680,424	326,959
Office	1,262,832	1,305,363
Premises	1,877,229	1,702,425
Publications	92,744	67,724
Salaries and benefits	16,687,969	15,935,418
Tariffs (note 6)	45,334,529	44,626,760
Transcripts	1,432,072	1,062,920
Travel	358,729	316,362
	<u>83,650,024</u>	<u>80,335,396</u>
Excess of income over expenditures for the year	<u>\$ 2,894,924</u>	<u>\$ 5,877,651</u>

Legal Services Society
Statement of Cash Flows
For the year ended March 31, 2000

	2000	1999
Cash provided by (used in):		
Operating		
Excess of income over expenditures for the year	\$ 2,894,924	\$ 5,877,651
Items not involving the outlay of funds		
Amortization	1,071,140	510,369
	<u>3,966,064</u>	<u>6,388,020</u>
Changes in non-cash operating items		
Accounts receivable	582,210	312,769
Prepaid expenses	105,809	(256,723)
Accounts payable	5,236,022	(9,353,843)
Professional staff benefits plan	83,153	(12,973)
Deferred income	26,809	(72,661)
	<u>10,000,067</u>	<u>(2,995,411)</u>
Investing		
Capital asset additions	(2,769,806)	(860,016)
Financing		
Capital lease payments	(445,372)	(75,149)
Capital lease additions	1,523,236	-
Increase (decrease) in cash position	<u>8,288,125</u>	<u>(3,930,576)</u>
Cash beginning of year	(3,571,821)	358,755
Cash (Operating line of credit) end of year	<u>\$ 4,716,304</u>	<u>\$ (3,571,821)</u>
Supplemental Cash Flow Information:		
Interest paid	\$ 86,823	\$ 21,499

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

1. The Society

The Society was established under the Legal Services Society Act on October 1, 1979 and is not an agent of the Crown. The objects of the Society are to ensure that:

- (a) services ordinarily provided by a lawyer are afforded to individuals who would not otherwise receive them because of financial or other reasons; and
- (b) education, advice and information about law are provided for the people of British Columbia.

In 2000, the Society received 95% (1999 - 95%) of its income from the Province of British Columbia and 4% (1999 - 4%) of its income from the Law Foundation of British Columbia. The Society depends on funding from these two sources for the continuance of its operations.

Under cost sharing agreements, the Province of British Columbia recovers approximately 10% of its contribution to the Society from the Government of Canada.

2. Significant Accounting Policies

Basis of accounting

These financial statements have been prepared in accordance with generally accepted accounting principles.

Specific accounting policies

Donated services are recorded at fair value when they would normally be purchased by the Society and a fair value can be estimated for the services.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including the recoverability of accounts receivable, capital assets, and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported year. Actual results could differ from the estimates.

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

2. Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at cost, and are amortized on a straight-line basis as follows:

	<u>Per Year</u>
Furniture	20%
Equipment	20%
Computer equipment	33%
Computer equipment under capital lease	33%
Computer software	33%
Case Management System	10%
Leasehold improvements	20%
Equipment under capital lease	20%

3. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty in these financial statements exists in the accrual for tariff expenditures where work has been done for assigned cases for which eventual billings to the Society could result in actual costs to differ from the estimates made.

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2000	1999
Furniture	\$ 1,276,439	\$ 1,246,225	\$ 30,214	\$ 21,198
Equipment	982,977	652,237	330,740	83,232
Computer equipment	1,204,900	976,946	227,954	378,353
Computer equipment under capital lease	2,001,631	520,970	1,480,661	-
Computer software	413,040	173,703	239,337	140,829
Case Management System	1,116,184	308,425	807,759	720,843
Leasehold improvements	627,622	449,691	177,931	107,313
Equipment under capital lease	370,673	268,873	101,800	225,962

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

5. Donated Services

The Society's head office premises are provided at a reduced rent under an agreement between the City of Vancouver and the building's owner that expires on June 14, 2004. The annual difference between the market value of the rent and the rent paid is approximately \$217,000 (1999 - \$233,000). Because the Society would not be leasing its current head office premises if it were paying the full market rent, this amount is not recorded in the Society's financial statements.

Lawyers from the Private Bar are retained by the Society to represent eligible clients in criminal and family cases. Some lawyers subsidise the Society by being paid fees for their services that are less than those that they would normally charge privately. Because the donated portion of these services cannot be reasonably estimated, it is not recorded in the Society's financial statements.

6. Tariff Holdbacks

For clients referred after July 1, 1994 the Society implemented percentage holdbacks of tariff fees payable to lawyers from the Private Bar. The holdbacks retained for tariff accounts received in 2000 amounted to \$4,679,648 (1999 - \$4,932,735).

Lawyers from the Private Bar were advised by Notice to Counsel of the percentage of the holdbacks. The Society would determine after the end of the fiscal year, whether any money would be available in the tariff budgets to repay all or part of the holdbacks deducted from the accounts approved in the year.

The Society decided to expense holdbacks in the amount of \$ 692,451 (1999 - \$143,543) deducted from criminal (inclusive of duty counsel) accounts approved in the year. No holdbacks were paid on account of immigration and family tariff expenditures as they exceeded budgeted amounts.

Accordingly, the balance of the holdbacks deducted from accounts approved in the year was not expensed and was retained by the Society. The balance of the holdbacks in the amount of \$3,987,107 (1999 - \$4,381,910) has not been recorded as a liability of the Society as at March 31, 2000 or included in the tariff expenditures for the year.

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

Obligation Under Capital Leases

	<u>2000</u>	<u>1999</u>
CDI Equipment Finance Inc.		
Blended lease payments of \$8,054 per month on telephone equipment expires December 2001	\$ 169,154	\$ 265,802
Less: amount representing interest (7.68%) per annum	<u>(11,340)</u>	<u>(26,864)</u>
	157,814	238,938
Less: current portion	<u>\$ (87,574)</u>	<u>\$ (81,124)</u>
Long Term	<u>\$ 70,240</u>	<u>\$ 157,814</u>

	<u>2000</u>	<u>1999</u>
IBM Canada Ltd.		
Blended lease payments of \$43,961 per month Computer Equipment expires July 31, 2002	\$1,246,217	\$ -
Less: amount representing interest (4.42% to 7.51%) per annum	<u>(87,229)</u>	<u>-</u>
	1,158,988	-
Less: current portion	<u>\$ (483,047)</u>	<u>\$ -</u>
Long Term	<u>\$ 675,941</u>	<u>\$ -</u>

Principal payments due in the next 3 fiscal years are as follows:

CDI Equipment Finance Inc.

2001		\$ 87,574
2002		<u>70,240</u>
		<u>\$ 157,814</u>

IBM Canada Ltd.

2001		\$ 483,047
2002		501,523
2003		<u>174,418</u>

LEGAL SERVICES SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

Pension Plan

The Society and its employees contribute to the Municipal Pension Plan administered by the Superannuation Commission of the Provincial Government. The Society's contributions to the Plan for 2000 were \$773,155 (1999 - \$718,657).

The Municipal Pension Plan is a defined benefit pension plan for which actuarial valuations are prepared at intervals of not more than three years. The most recent actuarial valuation of the Plan was made as at December 31, 1997. The amount of its unfunded liability is disclosed in its annual financial statements, which are included in the Public Accounts for the Province of British Columbia. The actuary does not determine the portion of the unfunded liability attributable to the Society, and therefore no amounts are recorded for any unfunded liability in these financial statements.

Commitments

The Society has the following commitments for long-term leases of its office premises, operating leases, and maintenance of its desktop software-licensing program:

2001	\$ 1,504,706
2002	1,118,765
2003	969,962
2004	918,632
2005	553,546