

THE SASKATCHEWAN LEGAL AID COMMISSION

FINANCIAL STATEMENTS

For the Year Ended March 31, 2015



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Saskatchewan Legal Aid Commission, which comprise the statement of financial position as at March 31, 2015, and the statement of operations and changes in accumulated surplus, statement of changes in net financial assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Legal Aid Commission as at March 31, 2015, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
June 26, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

Statement 1

THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2015	2014
	<u> </u>	<u> </u>
Financial Assets		
Cash	\$ 2,566,688	\$ 3,120,810
Accounts receivable		
Other	<u>20,744</u>	<u>19,418</u>
Total financial assets	<u>2,587,432</u>	<u>3,140,228</u>
 Liabilities		
Accounts payable and accrued liabilities		
General	183,015	163,447
Private Solicitors' Fees	1,620,829	1,723,409
Employee Salaries and Benefits	421,372	352,493
Deferred Contributions (note 6)	<u>17,500</u>	<u>38,054</u>
Total liabilities	<u>2,242,716</u>	<u>2,277,403</u>
 Net financial assets	<u>344,716</u>	<u>862,825</u>
 Non-financial assets		
Tangible capital assets (note 5)	105,757	75,258
Prepaid expenses	<u>174,663</u>	<u>164,490</u>
Total Non-financial assets	<u>280,420</u>	<u>239,748</u>
 Accumulated surplus (statement 2)	<u>\$ 625,136</u>	<u>\$ 1,102,573</u>

Commitments (note 7)
(See accompanying notes)

Statement 2

THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS
As at March 31

	2015		2014
	Budget (note 10)	Actual	Actual
Revenue			
Ministry of Justice Appropriation	\$ 23,505,000	\$ 23,305,000	\$ 22,779,000
Grants	100,654	109,799	85,004
Other	62,010	81,557	85,765
Total revenue	<u>23,667,664</u>	<u>23,496,356</u>	<u>22,949,769</u>
Expenditures			
Salaries and employee benefits	17,262,643	17,217,271	16,493,119
Central Office administrative (schedule 1)	704,714	669,439	696,152
Area Office administrative and operating expenses (schedule 1)	2,068,081	1,915,406	1,986,411
Provision of legal services	3,012,820	3,167,005	2,630,590
Other legal expenses	203,406	206,910	171,199
Travel	806,000	771,386	809,840
Amortization of tangible capital assets	20,000	26,376	22,046
Total expenditures	<u>24,077,664</u>	<u>23,973,793</u>	<u>22,809,357</u>
(Deficiency) excess of revenue over expenditures for the year	(410,000)	(477,437)	140,412
Accumulated surplus, beginning of year	<u>1,102,573</u>	<u>1,102,573</u>	<u>962,161</u>
Accumulated surplus, end of year (statement 1)	<u>\$ 692,573</u>	<u>\$ 625,136</u>	<u>\$ 1,102,573</u>

(See accompanying notes)

Statement 3

THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
Year Ended March 31

	<u>2015</u>	<u>2014</u>
(Deficiency) excess of revenue over expenditures for the year	\$ (477,437)	\$ 140,412
Acquisition of tangible capital assets	(56,875)	(43,486)
Amortization of tangible capital assets	<u>26,376</u>	<u>22,046</u>
	<u>(30,499)</u>	<u>(21,440)</u>
Acquisition of prepaid expenses	(174,663)	(164,490)
Use of prepaid expenses	<u>164,490</u>	<u>157,609</u>
	<u>(10,173)</u>	<u>(6,881)</u>
(Decrease) increase in net financial assets	(518,109)	112,091
Net financial assets at beginning of year	<u>862,825</u>	<u>750,734</u>
Net financial assets at end of year	<u><u>\$ 344,716</u></u>	<u><u>\$ 862,825</u></u>

(See accompanying notes)

Statement 4

THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31

	<u>2015</u>	<u>2014</u>
Cash (used in) provided by		
OPERATING ACTIVITIES		
Appropriation funds received	\$ 23,305,000	\$ 22,879,000
Cash received from grants	89,245	40,828
Cash received from other revenue	80,231	84,375
Cash payments for salaries and benefits	(17,158,565)	(16,697,396)
Cash payments for other suppliers	(3,543,573)	(3,632,944)
Cash payments for legal services	<u>(3,269,585)</u>	<u>(2,378,791)</u>
Net cash (used in) provided by operating activities	(497,247)	295,072
CAPITAL ACTIVITIES		
Purchase of capital assets	<u>(56,875)</u>	<u>(43,486)</u>
Net (decrease) increase in cash	(554,122)	251,586
Cash, beginning of year	<u>3,120,810</u>	<u>2,869,224</u>
Cash, end of year	<u>\$ 2,566,688</u>	<u>\$ 3,120,810</u>

(See accompanying notes)

THE SASKATCHEWAN LEGAL AID COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

The Legal Aid Act came into force on September 1, 1983 by Order in Council 1275/83 and continued The Saskatchewan Community Legal Services Commission as a body corporate under the name of The Saskatchewan Legal Aid Commission (Commission). The purpose of the Commission is to provide legal services to persons and organizations for criminal and civil matters where those persons and organizations are financially unable to secure those services from their own resources.

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards published by the Chartered Professional Accountants Canada (CPA Canada). The following policies are considered significant:

a) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues and when collection is reasonably assured. All revenues are recorded on an accrual basis.

Other revenue is comprised of client contributions, cost recoveries, interest and miscellaneous receipts.

Externally restricted inflows are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for their specific purposes.

Government appropriations are recognized in the period the transfer is authorized and any eligibility criteria is met.

b) Expenses

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

c) Provision of Legal Services Expenditures

Provision of legal services expenditures include amounts billed by private bar lawyers to the Commission and an estimate of amounts of services performed by lawyers but not yet billed to the Commission.

d) Tangible Capital Assets

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. Normal repairs and maintenance are expensed as incurred. The capital assets are reduced annually by an amount representing the consumed cost of the asset calculated on a straight line basis as follows:

Office Equipment and Furniture	14 2/7% per annum
Legal Aid Information Network (LAIN)	
Development Costs	33 1/3% per annum

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission'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.

e) Financial Instruments

All financial instruments are measured at fair value upon initial recognition. Cash is measured at fair value. Accounts receivable, accounts payable and accrued liabilities are measured at amortized cost. The Commission does not have any embedded derivatives in host contracts.

2. Financial Risk Management

The management of the Commission mitigates the risks associated with financial instruments with regular reporting to the members of the Commission.

Credit Risk:

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Commission's exposure to credit risk is from the potential of non-payment of grants or accounts receivable. The credit risk on the receivables is not material as most grants are received from the provincial appropriations and the other receivables are comprised of small amounts from contributions from clients.

Liquidity Risk:

Liquidity risk is the risk that the Commission is unable to meet its financial commitments as they become due. The Commission manages the liquidity risk from the monthly appropriations it receives from the Saskatchewan Ministry of Justice.

Market Risk:

Market risk represents the potential for loss from changes in the value of financial instruments due to changes in the market conditions. The Commission does not have any exposure to market risk.

3. Capital Management

The Commission's objective when managing its accumulated surplus is to ensure adequate resources exist to support the operations and growth strategies of the Commission.

The Commission obtains its funding from provincial appropriations through the Ministry of Justice. The Commission does not have any debt.

The Commission monitors and assesses its financial performance by a monthly variance analysis of actual and yearly projections to approved budget. The budget and variance analysis is approved by the members of the Commission. The management of the Commission also provide an appropriation forecast to the Ministry of Justice.

4. Pension Plan

The Commission participates in a defined contribution pension plan for the benefit of its employees. The Commission's financial obligation to The Staff Pension Plan for Employees of The Saskatchewan Legal Aid Commission (Plan) is limited to making regular payments to match the amounts contributed by the employees for current service. The Commission's annual pension expense included in salaries and benefits for 2015 amounted to \$860,066 (2014 - \$836,239).

The Plan is administered and sponsored by a joint trustees arrangement. The joint trustees consist of four members, two appointed by the Commission and two appointed by C.U.P.E. Local 1949. The Commission provides day-to-day administration for the Trustees without charge to the Plan. Certain administration expenses of the Plan are initially paid by the Commission and are subsequently refunded by the Plan. As at March 31, 2015 and 2014, the Plan did not owe anything to the Commission.

5. Tangible Capital Assets

Tangible capital assets are comprised of the following amounts:

	Office equipment and furniture	LAIN Development Costs	2015 Total	2014 Total
Opening cost	\$ 154,331	\$ 321,432	\$ 475,763	\$ 432,277
Additions during the year	<u>56,875</u>	<u>---</u>	<u>56,875</u>	<u>43,486</u>
Closing Cost	<u>211,206</u>	<u>321,432</u>	<u>532,638</u>	<u>475,763</u>
Opening Accumulated Amortization	79,073	321,432	400,505	378,459
Amortization during the year	<u>26,376</u>	<u>---</u>	<u>26,376</u>	<u>22,046</u>
Closing Accumulated Amortization	<u>105,449</u>	<u>321,432</u>	<u>426,881</u>	<u>400,505</u>
Net book value of Tangible capital assets	\$ <u>105,757</u>	\$ <u>---</u>	\$ <u>105,757</u>	\$ <u>75,258</u>

6. Deferred Contributions and Grants

Deferred operating contributions represent externally restricted grants and contributions for which the related expenditures have not been incurred.

	2015	2014
Balance, beginning of year	\$ 38,054	\$ 82,230
Add: Grant contributions received or receivable in the year		
Law Foundation of Saskatchewan	49,335	2,365
Law Foundation of Saskatchewan Legal Aid Endowment Fund Trust	39,910	38,463
Less: Amounts recognized as revenue in the year	<u>(109,799)</u>	<u>(85,004)</u>
Balance, end of year	<u>\$ 17,500</u>	<u>\$ 38,054</u>

7. Measurement Uncertainty and Commitments

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 made include accrued private solicitors' fees and the related provision of legal service expenditures, amortization of tangible capital assets, non-vesting sick leave benefits, and contingent liabilities.

These estimates are based on the best information available at the time of preparation of the financial statements and are reviewed periodically to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from those estimates.

The provision for services provided by members of the private bar that have not been billed on outstanding appointments is estimated at year end using a method that incorporates historical average costs and estimated time frames to complete similar cases. In addition to the liability for services provided to March 31, 2015, the Commission estimates \$258,979 (2014 - \$374,456) will be incurred on approximately 1,052 (2014 - 1,063) outstanding appointments issued to the private bar over and above both the billings paid to date and work performed but not yet billed.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Commission by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Facilities, vehicle rentals, office supplies, and miscellaneous office services are acquired from a related party. These transactions are recorded at agreed upon rates and settled on normal trade terms. Other operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	2015	2014
Expenses	\$ 1,822,674	\$ 1,860,692
Accounts payable	78,007	39,583
Expense reimbursements	9,494	22,456
Accounts receivable	---	12,744

Each year, the Commission receives 99% of its operating revenue as a government transfer from the Saskatchewan Ministry of Justice recorded as appropriations, and 1% from grants and other sources. The Commission depends on funding from these sources for the continuance of its operations. At March 31, 2015 and 2014, there were no receivables from the Ministry of Justice.

In addition, the Commission pays Provincial Sales Tax on all its taxable purchases. The Commission also received transcripts without charge from the Ministry of Justice, Transcript Services.

During the year, the Commission made payments of \$127,242 (2014 - \$127,242) to the

Saskatchewan Legal Aid Commission Benefit Plan Surplus Fund (Fund) that is set up under the collective bargaining agreement between C.U.P.E. Local 1949 (Union) and the Commission. As outlined in the agreement, the Fund is jointly administered by the Commission and the Union through the Labour Management Relations Committee. The Commission provides the Fund with day-to-day administration. The intent of the Fund is to cover increased premium costs of the extended health care benefits for members of C.U.P.E. Local 1949. The increased premium costs are initially paid by the Commission, and for the year the Fund reimbursed the Commission \$115,006 (2014 - \$118,154) for the increased premium costs. At year end, the Fund had a balance of \$314,689 (2014 - \$275,074). This Fund balance is not included in the Commission's statement of financial position.

Other transactions with related parties and amounts due to or from them are described separately in these financial statements and the notes thereto.

9. The Law Foundation of Saskatchewan Legal Aid Endowment Fund Trust

A Trust Deed exists between the Law Foundation of Saskatchewan and the Trustees of The Law Foundation of Saskatchewan Legal Aid Endowment Fund Trust (Trust). The Trust was established with an endowment to assist in the Commission's mandate by:

- a) improving access to justice for persons whose own financial resources are inadequate;
- b) enhancing the ability of all Commission employees to provide legal aid service to clients, including education, research and the acquisition of research, teaching and library materials by the Commission;
- c) providing funds for research in legal and social areas related to legal aid and access to justice; and
- d) assisting otherwise in the Commission's mandate in ways not traditionally covered by government funding, and with particular emphasis on novel or innovative programs or delivery methods.

An endowment amount of \$2,100,000 (2014 - \$2,100,000) has been provided to the Trust and only the net income from the Trust is available for the beneficiaries. The transactions and amounts in the Commission's financial statements related to activities of the Trust at year end are as follows:

	2015	2014
Grants	\$ 49,010	\$ 37,653
Deferred contributions	17,500	26,600

The Trust has five trustees, three of which are members of the Commission. They include:

- The Chair of The Saskatchewan Legal Aid Commission
- A commissioner of The Saskatchewan Legal Aid Commission, appointed by the Law Society of Saskatchewan
- A commissioner of The Saskatchewan Legal Aid Commission, appointed by the Minister of Justice (Saskatchewan)

The Commission has authorized the utilization of its staff as may be reasonably required from time to time to provide administrative support to the Trust at no fee.

10. Budget

These unaudited amounts represent the operating budget approved June 2014 by members of The Saskatchewan Legal Aid Commission.

Schedule 1

**THE SASKATCHEWAN LEGAL AID COMMISSION
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
Year Ended March 31**

		2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Central Office Administrative and Operating Expenses			
Leased accommodation	\$ 93,155	\$ 88,775	\$ 91,264
Computer leases, maintenance, and support	109,475	79,496	126,745
Stationery and office supplies	27,100	10,627	13,732
Telephone	16,400	13,094	16,634
Postage	13,700	15,280	13,617
Periodicals	1,800	2,217	2,262
Photocopying	3,300	3,288	3,312
Expenses related to Trust Grant	40,000	44,725	37,653
Expenses related to Law Foundation Grant	60,654	60,789	47,350
Other operating expenses	<u>339,130</u>	<u>351,148</u>	<u>343,583</u>
Total Central Office Administrative and Operating expenses	<u><u>\$ 704,714</u></u>	<u><u>\$ 669,439</u></u>	<u><u>\$ 696,152</u></u>
Area Office Administrative and Operating Expenses			
Leased accommodation	\$ 1,376,352	1,059,091	\$ 1,138,886
Computer leases, maintenance, and support	159,069	252,154	214,603
Stationery and office supplies	132,900	161,540	176,622
Telephone	103,600	105,853	103,678
Postage	44,300	51,088	43,533
Periodicals	45,200	39,820	43,347
Photocopying	45,700	44,332	44,945
Other operating expenses	<u>160,960</u>	<u>201,528</u>	<u>220,797</u>
Total Area Office Administrative and Operating Expenses	<u><u>\$ 2,068,081</u></u>	<u><u>\$ 1,915,406</u></u>	<u><u>\$ 1,986,411</u></u>