



Legal Aid Alberta

A Just Alberta – *one person at a time*

2016 ANNUAL REPORT



OUR VISION

An Alberta where everyone can access justice and achieve fair and lasting resolutions to their legal issues.

OUR MISSION

We are a leader in the provision of quality, effective legal advice and representation that enables our clients to resolve their legal issues.

OUR BOARD OF DIRECTORS

Robert Calvert, Q.C., Chair

Deanna Steblyk, Vice-Chair

Lori Bokenfohr

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Lance Clark

Linda Cook

Derek Cranna, Past Chair

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OUR EXECUTIVE

Suzanne Polkosnik, Q.C.
President & CEO

Deanne Friesen, VP
Client Services

Tyler Tollefson, VP
Legal Representation

Lyle Toop, VP
Human Resources

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MESSAGE FROM THE CHAIR AND THE PRESIDENT & CEO

Honourable Kathleen Ganley

Minister of Justice & Solicitor General
Province of Alberta
323 Legislature Building
10800 97 Avenue
Edmonton, AB T5K 2B6

Anne Kirker, QC

President
Law Society of Alberta
Suite 500
919 11th Avenue SW
Calgary, AB T2R 1P3

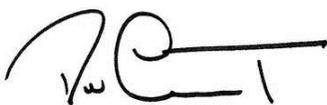
Dear Honourable Minister Ganley and Ms. Kirker,

We present the 2016 Annual Report, in accordance with the requirements of the Governance Agreement, sections 12(b) and 13(b).

It has been a challenging year for Legal Aid Alberta. Unprecedented demand caused significant funding pressures as we continued to assist Albertans in resolving their legal issues. Our scope of service was amended part way through the year in order to deal with the issue of increased demand. The redefinition of the organization's mandate in December, 2015 had LAA focus its resources on providing representation to Albertans in need and necessitated structural changes within the organization. This shift was undertaken at the same time that work on the government-led review of LAA was commenced.

On behalf of the Board and LAA's Executive Committee, we would like to thank the staff at Legal Aid Alberta and the roster of lawyers who support the organization for their commitment, their expertise, and for maintaining the highest quality of service as we worked through a year of change and uncertainty.

Sincerely,



Robert Calvert, Q.C.
Chair



Suzanne Polkosnik, Q.C.
President & CEO

ABOUT LEGAL AID ALBERTA

Created in 1970, Legal Aid Alberta (LAA) is an independent, publicly funded, not-for-profit organization that provides services in family law and child welfare, adult criminal law, youth criminal law, immigration and refugee law and some civil law. LAA assists Albertans by helping them navigate the justice system and find lasting resolution to their legal challenges.

LAA operates under a tri-partite Governance Agreement between Alberta Justice & Solicitor General, the Law Society of Alberta, and the Legal Aid Society of Alberta. This agreement outlines the obligations of Legal Aid Alberta, responsibility and appointment of the Board of Directors, independence, and the funding and audit of the Legal Aid plan. The current agreement expires on March 31, 2017.

At the start of the 2015/16 fiscal year, LAA offered a broad range of services to all Albertans categorized into three stages:

Stage 1	Legal Information and Referral
Stage 2	Legal Advice & Brief Services
Stage 3	Legal Representation

These services included representation in some civil matters outside of family law and immigration/refugee, including employment, housing, debt, adult guardianship and income support.

Service Delivery Changes in December 2015

Legal Aid Alberta (LAA) experienced record call volumes in 2015/16, with more Albertans than ever qualifying for legal representation, in part due to uncontrollable factors such as population growth and the sluggish Alberta economy.

In response to these pressures, LAA announced restructuring within the Client Services area in November 2015 to support a more focused, effective and efficient approach to serving our clients and our roster in light of funding pressures, decreased future revenue from the Alberta Law Foundation (ALF), and an unprecedented demand for our services. These organizational changes were made to provide lawyers representing LAA clients with one point of contact for inquiries regarding certificates (assigned cases) and billing. We also consolidated the lawyer appointment and client repayment functions so that clients have one point of contact for lawyer inquiries and setting up their repayment plan.

In addition, our principal funder, Alberta Justice & Solicitor General, directed a number of significant changes to our service delivery model and mandate to enable LAA to focus resources on the provision of legal representation and legal assistance in court in the form of duty counsel. These changes allow more vulnerable Albertans access to the services they need at first instance.

LAA implemented the following modifications on December 7, 2015:

- Discontinuation of Stage 1 and Stage 2 services (excluding Siksika Nation);
- Discontinuation of representation in the areas of employment, housing and debt;
- 3 per cent increase to LAA's Financial Eligibility Guidelines (FEG);
- 10 per cent increase to the Tariff Rates paid to private bar lawyers;
- Extended provision of Family Duty Counsel to high need courts;
- Changes to the manner in which allowable assets under the financial eligibility guidelines are calculated;
- Implementation of a Discretionary Coverage Process (DCP) pilot program; and
- Re-organization of Client Services to allow for more effective and efficient client and roster service delivery, resulting in a decrease in salaries and benefits expenses.

These changes were made as interim measures in response to the immediate funding pressures and crisis that LAA was experiencing, and were undertaken at the same time that work on the government-led review of LAA was commenced.

Clients Served

Number of services provided

Service	2015/16	2014/15
Family Settlement Services	-	100
Criminal Resolution Office (CRO)*	2,637	3,300
Advice and Brief Services**	4,359	6,298
Certificates (limited scope and full representation)	41,490	27,999
Information, resources and referrals**	42,990	56,378
Duty Counsel***	205,988	164,900
Total	297,464	258,975

Figure 1 - Services Provided

* This covers the period from April 1, 2015 to October 18, 2015. Effective October 19, 2015 CRO began receiving certificates for all representational matters.

** Discontinued effective December 7, 2015

***Family Duty Counsel services extended to high need courts on December 7, 2015

Funding vs Expenses

LAA is in a unique market position in Alberta by virtue of being the largest provider of legal representation and the only organization with a formal governance agreement with the Government of Alberta to ensure Albertans have access to a fair justice system. Accordingly, Alberta Justice is the largest funder of LAA, with additional funding from the Alberta Law Foundation (ALF).

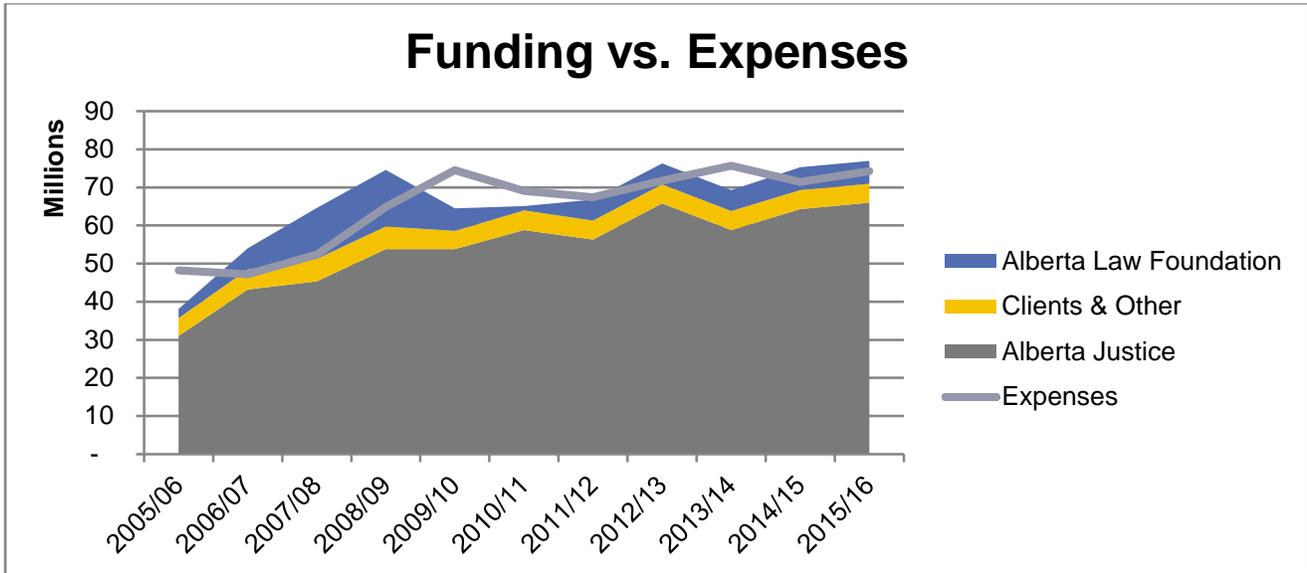


Figure 2 - Funding vs Expenses:

Alberta Justice provides approximately 86 per cent of LAA's annual revenue. LAA's expenses have exceeded annual funding in 4 of the past 6 years. Funding surpluses, primarily from the Alberta Law Foundation between 2007 and 2010, enabled LAA to maintain operations while operating in an annual cash deficiency position.

CLIENT SERVICES

More Albertans than ever before are turning to LAA for legal representation. In 2015/16, there was an unprecedented demand for service as evidenced by the number of calls presented.

As outlined in Figure 3 below, in 2015/16 LAA saw an overall 34 per cent increase in the number of calls received requesting service compared to the prior fiscal year. The number of priority calls from individuals in-custody also increased by 41 per cent compared to the same time last year.

Presented calls

Calls	2015/16	2014/15
General	173,721	131,850
In Custody	56,269	39,823
Total	229,990	171,673

Figure 3: Presented Calls

LAA received over 58,000 more calls in 2015/16 in comparison to 2014/15

Legal Services Centre (LSC)

The LSC is where clients first contact LAA to request service. Legal Services Officers work with clients to complete an assessment and determine their eligibility for legal representation. Prior to December 2015, LAA also provided legal information and referrals to all clients who did not qualify for representational services, as well as brief services to eligible clients.

On December 7, 2015, LAA's service delivery model changed and the provision of legal information and referral was discontinued in order to focus resources on legal representation. At that time, it was recognized that over 500 unique organizations in Alberta were also providing legal services.

New matters handled by the LSC continue to increase. LAA's range of services continues to offer Albertans the support they need when they need it the most.

New Matters by Type

Matter Type	2015/16	2014/15
Appeals	554	413
Immigration	861	876
Child Welfare	1,469	1,335
Civil	4,700	4,026
Family	13,792	11,368
Criminal	38,204	32,140
Total	59,580	50,158

Figure 4 - New Matters by Type

Criminal matters represent 64 per cent of all new matters.

Lawyer Appointing

After the LSC completes an assessment and if the client qualifies for representation, LAA then appoints staff lawyers or private bar lawyers to provide representation for eligible clients in the legal areas of adult criminal, youth criminal, family, child welfare, and refugee/immigration.

LAA appointing staff are also responsible for appointing Duty Counsel at all provincial courts, as well as for Mental Health Reviews, disciplinary hearings, and other review boards.

For the period of April 1, 2015 to December 6, 2015, LAA also provided representational services for other civil in the areas of employment, housing, and debt. These services were discontinued with the introduction of the new service delivery model on December 7, 2015.

Discretionary Coverage Process (DCP)

At the request of Alberta Justice, LAA developed and introduced a process in December 2015 to reduce the burden on the courts to have formal applications heard for Court Ordered Counsel.

If a client meets the service eligibility criteria, but does not qualify under the Financial Eligibility Guidelines (FEG), the matter is automatically referred to the DCP if any one of the following applies:

- A level 3 offense (the most serious criminal charges);
- A level 2 offense (serious criminal charges) with bail denied at Provincial Court level or above;
- Permanent loss of guardianship of children (Permanent Guardianship Order application before the court);
- Adult guardianship or trusteeship matter; and/or
- Any matter where client income exceeds the FEG by less than 25 per cent both monthly and annually based on family size.

LAA reviews files meeting the criteria above and applies established legal criteria considered by the courts. A recommendation regarding service is provided to Alberta Justice who retains the final authority to direct LAA to appoint counsel. This eighteen-month pilot project will decrease the time it takes for counsel to be appointed and will avoid the need for clients and lawyers to make application to the courts.

LEGAL REPRESENTATION

LAA's most significant advantage is that of independence, which is supported through in-house staff lawyers and a large, stable roster of private bar lawyers available to serve clients.

Legal representation for clients is provided by a lawyer in one of Legal Aid Alberta's staff law offices or by a private bar roster lawyer appointed by Legal Aid Alberta. In December 2015, the Financial Eligibility Guidelines (FEG) increased by 3 per cent, regardless of family size, which is in addition to the 18 per cent increase to the FEG in December 2014. This increase means more vulnerable Albertans qualify for legal representation.

Certificates Issued by Category

Category	2015/16	2014/15
Young Offenders	3,477	3,539
Family/Civil	8,066	5,783
Adult Criminal	26,746	18,569
Total	38,289	27,891

Figure 5 – Certificates Issued by Category

Due to a higher FEG and increase in demand for services, LAA issued over 38,000 certificates in 2015/16, an increase of 38 per cent over the prior year.

Duty Counsel

Duty counsel lawyers provide immediate, free legal assistance in many locations to people who go to certain courts or to a tribunal without a lawyer. They can provide information, guidance and advice prior to a court appearance, and may speak on an individual's behalf in court. This service, where offered, is available to all Albertans appearing in Court regardless of their income.

In December 2015 LAA's services were adjusted to focus on the provision of legal representation and legal assistance in court in the form of duty counsel. LAA assigns duty counsel in docket courts in all Alberta criminal courts (adult and youth), and at disciplinary hearings at correctional facilities, applications for confirmation of Emergency Protection Orders and Mental Health Review panel hearings. As well, in December 2015, Family Duty Counsel service was expanded into Provincial and Queen's Bench courts, in Edmonton, Calgary, Siksika Nation, Fort McMurray, Grande Prairie, St. Paul Wetaskiwin, Red Deer and Medicine Hat, where an immediate need was identified.

Brydges Duty Counsel is a free 24-hour telephone service offered to all Albertans who need immediate advice about their charter rights and criminal law when under arrest, in custody or under active investigation by law enforcement authorities. Translation services are available in 110 languages. LAA's Youth Criminal Defence Office provides Brydges Duty Counsel to youth in Edmonton and Calgary on a 24-hour basis.

Duty Counsel Services

Duty Counsel Service	2015/16	2014/15
Youth Brydges	3,995	4,300
Young Offenders	9,616	11,100
Adult Brydges	17,144	17,000
Civil/Family	26,480	17,100
Adult Criminal	148,753	115,400
Total	205,988	164,900

Figure 6 - Duty Counsel Services

Consistent with prior years, the majority of Duty Counsel services were for Adult Criminal matters. In 2015/16 there were over 41,000 more Duty Counsel services than in 2014/15, an increase of nearly 25 per cent.

Criminal Resolution Office (CRO)

In addition to providing Duty Counsel services, the Criminal Resolution Office provides early resolution to lower level criminal offences, reducing the burden on both the client and the justice system. CRO services for adult clients are provided in several locations in Alberta through its offices in Edmonton, Calgary, Red Deer, Lethbridge, Medicine Hat, Fort McMurray, Wetaskiwin and Siksika Nation. Through its Siksika Nation office, it also supports clients at the Tsuu T'ina Nation Court and the Turner Valley Court, both of which serve Aboriginal communities. The Calgary CRO office serves the courts in Canmore, Cochrane and Airdrie, which also serve the Stoney Nakoda Nation.

CRO provides services to youth in the same courts where it represents adults, with the exception of Wetaskiwin, and in Edmonton and Calgary where the LAA Youth Criminal Defense Office provides services to youth.

In Calgary and Edmonton, CRO also provides representation to those who are participating in Drug Treatment Court programs. The Edmonton Drug Treatment Court Service (EDTCS) provides a pre-sentence justice alternative for drug addicted offenders that integrates Justice, Alberta Health Services, Human Services, and a variety of community agencies and stakeholders who all have a vested interest in providing the opportunity to restore the lives of addicts and empower them to become productive members of the community. LAA's staff lawyers assist in court and are available to help drug treatment participants throughout the process.

Family Law Office (FLO)

The Family Law Office delivers family law services to eligible clients in Edmonton, Calgary, Red Deer, Lethbridge, and Wetaskiwin. The services include:

- Separation and divorce;
- Custody, access, parenting orders, contact orders;
- Child maintenance and spousal support;
- Guardianship;
- Child protection/child welfare;
- Matrimonial property disputes; and
- Representation of children.

Family Resource Facilitators are available in each office, and work as part of the legal team to assist clients. These individuals help clients address personal problems by identifying options and strategies to cope with the issues that have brought them into conflict with the law. The Family Resource Facilitators ensure that clients understand the legal process and what might be expected of them to resolve their legal problem. This is a client-focused service, and benefits the justice system by ensuring clients receive assistance from a holistic perspective to address their legal, social and financial issues to hopefully prevent their future involvement with the Courts.

Lawyers assist eligible clients, primarily in Edmonton and Calgary, with various issues relating to refugee claims and other immigration issues.

Legal Aid Alberta's Family Law Office helps victims of family violence through its Emergency Protection Order Program. Offered in Edmonton, Calgary, and Lethbridge, there is no cost for obtaining or confirming protection orders and there are no financial eligibility requirements as these services are considered Duty Counsel.

The Emergency Protection Order Program provides clients with information and a lawyer who can help them to obtain and confirm protection orders.

Emergency Protection Order Program Files

Location	2015/16	2014/15
Edmonton (and surrounding area)	959	649
Calgary	973	853
Lethbridge*	33	-
Total	1,965	1,502

Figure 7 - EPOP Files

* The Emergency Protection Order Program was expanded to Lethbridge during the 2015/16 fiscal year.

Youth Criminal Defence Office (YCDO)

The Youth Criminal Defence Office delivers legal services to eligible young people (12 to 18 years of age) charged with criminal offences primarily in Edmonton and Calgary.

As specialists in the realm of youth issues, the YCDO lawyers and youth workers often work with government and community groups in advancing supportive programs for youth in conflict with the law are collaborating on crime prevention programs.

Youth workers assist the lawyers, and provide support and resources for young persons and their families before, during and after the court process. Youth workers can also assist in addressing issues that may contribute to youth coming into conflict with the law, such as family issues, homelessness and addictions. They may advocate for young persons within the solicitor general, child welfare, health care or education systems. Their role is to work with the youth to address the issues underlying their criminal behaviour in order to assist their rehabilitation.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Management of Legal Aid Alberta is responsible for the preparation of the Society's financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes maintaining the integrity and objectivity of the Society's financial records, and presenting the Society's financial statements in accordance with Canadian generally accepted accounting principles.

Management has developed and maintains a system of internal controls and financial reporting to provide reasonable assurance that the Society's assets are safeguarded, that all material agreements and transactions of the Society are properly recorded, and that reliable financial information is produced on a timely basis.

The Directors of the Society's Board are not employees of the Society. The Board of Directors is responsible for determining that management fulfills its responsibilities in the preparation of the financial statements and the control of the Society's financial operations. The Audit Committee of the Board of Directors meets with staff of the Society's auditors, Ernst & Young LLP, periodically over the course of the year 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.

Ernst & Young LLP has audited the accompanying financial statement for the year ended March 31, 2016. Its audit was conducted in accordance with Canadian general accepted auditing standards, and included obtaining sufficient understanding of the Society's internal controls to plan the audit. The auditor's Report outlines the scope of the audit and the opinion.



Suzanne Polkosnik, Q.C.
President and CEO
September 13, 2016



Christine Huber
Director, Finance
September 13, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

The Legal Aid Society of Alberta

We have audited the accompanying financial statements of **The Legal Aid Society of Alberta**, which comprise the statement of financial position as at March 31, 2016 and the statements of changes in net assets, revenue and expenses and 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 accounting standards for not-for-profit organizations, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' 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 auditors consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The Legal Aid Society of Alberta** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Canada,

June 3, 2016

The signature of Ernst + Young LLP is written in a cursive, handwritten style.

Chartered Accountants

AUDITED FINANCIAL STATEMENTS

Statement of Financial Position

Year ended March 31
(in thousands of dollars)

	2016	2015
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	887	1,502
Short-term investments [note 3]	-	6,762
Accounts receivable	1,142	324
Prepaid expenses	363	492
Goods and services Tax rebates receivable	525	361
Total current assets	2,917	9,411
Investments [note 4]	2,511	2,511
Capital assets [note 5]	7,078	2,981
	<u>12,506</u>	<u>14,933</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	1,869	2,593
Government remittances payable	1	2
Accrued vacation pay	1,161	1,101
Current portion of deferred lease inducements	105	101
Deferred revenue	167	-
Provision for unbilled services provided on outstanding certificates [note 6]	3,200	3,500
Total current liabilities	6,503	7,297
Deferred contributions [note 4]	2,500	2,500
Deferred lease inducement	1,159	29
	<u>10,162</u>	<u>9,826</u>
Commitments and contingencies [notes 6 and 7]		
Net assets	2,344	5,107
	<u>12,506</u>	<u>14,933</u>

See accompanying notes

On behalf of the board:



Bob Calvert
Chair



Lance Clark
Director

Statement of Changes in Net Assets

Year ended March 31
(in thousands of dollars)

	2016		
	Internally funded capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	2,981	2,126	5,107
Deficiency of revenue over expenses	-	(2,763)	(2,763)
Purchases of capital assets	5,141	(5,141)	-
Amortization of capital assets	(1,042)	1,042	-
Retirement of capital assets	(2)	2	-
Balance, end of year	7,078	(4,734)	2,344

	2015		
	Internally funded capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	3,673	(1,250)	2,423
Deficiency of revenue over expenses	-	2,684	2,684
Purchases of capital assets	547	(547)	-
Amortization of capital assets	(1,219)	1,219	-
Retirement of capital assets	(20)	20	-
Balance, end of year	2,981	2,126	5,107

See accompanying notes

Statement of Revenues and Expenses

Year ended March 31
(in thousands of dollars)

	2016	2015
	\$	\$
REVENUE		
Province of Alberta	66,340	64,475
Alberta Law Foundation grant	6,000	6,000
Recoveries and contributions from clients	3,968	4,302
Interest and other	702	569
Total revenue	77,010	75,346
EXPENSES		
Private bar		
Legal aid fees and disbursements [note 9]		
Criminal adult	27,544	22,465
Civil	11,867	10,527
Duty Counsel	2,830	2,413
Young offenders	1,742	1,699
Court-ordered counsel	828	455
Provincial	101	68
	44,912	37,627
Decrease in provision for unbilled services provided on outstanding certificates [note 6]	(300)	(300)
	44,612	37,327
Other program expenses [note 8]		
Client Services	27,235	27,529
Management and Administration	7,926	7,806
	35,161	35,335
Total expenses	79,773	72,662
Excess (deficiency) of revenue over expenses	(2,763)	2,684

See accompanying notes

Statement of Cash Flows

Year ended March 31
(in thousands of dollars)

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Received from the Province of Alberta	66,165	64,310
Received from the Alberta Law Foundation	6,000	6,000
Recoveries and contributions from clients	3,968	4,302
Interest and other income received	715	588
Fees and disbursements paid to private bar	(45,587)	(37,752)
Salaries and benefits paid to employees	(28,539)	(28,879)
Payments to suppliers and service providers	(4,946)	(5,206)
Cash provided by (used in) operating activities	(2,224)	3,363
INVESTING ACTIVITIES		
Purchase of capital assets	(5,141)	(547)
Purchases of short-term investments	(19,600)	(47,750)
Proceeds on disposal of short-term investments	26,350	46,500
Purchases of investments	(2,500)	(7,500)
Proceeds on disposal of investments	2,500	7,500
Cash provided by (used in) investing activities	1,609	(1,797)
Net increase (decrease) in cash during the year	(615)	1,566
Cash and cash equivalents, beginning of the year	1,502	(64)
Cash and cash equivalents, end of the year	887	1,502

See accompanying notes

Notes to the Financial Statements

(dollar amounts in thousands)

1. The Organization

The Legal Aid Society of Alberta [the “Society”], registered as a society under the laws of the Province of Alberta, operates by agreement between the Society, the Law Society of Alberta and the Ministry of Justice and Attorney General of the Province of Alberta to assist individuals of modest means in obtaining legal services in criminal and civil matters. The current governance agreement, which became effective on April 1, 2011 and expired on March 31, 2016, has been extended to March 31, 2017. Under the provisions of the Income Tax Act (Canada), the Society is exempt from income tax.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, which constitutes generally accepted accounting principles for not for profit organizations in Canada, and include the significant accounting policies described hereafter.

Revenue recognition

The Society’s primary sources of funding are contributions from the Province of Alberta and the Alberta Law Foundation, recoveries and contributions from clients, and interest and other income.

The Society follows the deferral method of accounting for contributions. Contributions are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Recoveries and contributions from client recipients of legal aid services cannot be reasonably estimated in advance due to the uncertainty of collection. Accordingly, these recoveries and contributions are recorded as revenue when received.

Interest and other income are recognized as revenue when earned.

Expense recognition

Legal aid fees and disbursements are eligible for payment in respect of services authorized on issued legal aid certificates. The Society records the estimated value of services provided, but not submitted for payment, on outstanding certificates in the period in which the services are provided. Legal expenses include amounts billed to the Society by lawyers and an estimate of amounts for work performed but not yet billed.

Allocation of other program expenses

The expenses of each function include personnel and other expenses that are directly related to the function. General support and other expenses are not allocated, except for rent, which is allocated by head count to select functions.

Financial instruments

Investments are recorded at fair value. Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Controlled entities

Controlled not-for-profit entities are not consolidated by the Society. Instead, summarized financial information is disclosed.

Cash and cash equivalents

Cash and cash equivalents include cash and term deposits with periods to initial maturity of less than 90 days.

Short-term investments

Short-term investments consist of term deposits with initial maturity dates between 90 and 365 days.

Investments

Investments consist of term deposits with initial maturity dates in excess of 365 days.

Capital assets

Purchased tangible and intangible capital costs are recorded at acquisition cost. Contributed tangible and intangible capital costs are recorded at fair value at the date of the contribution. Amortization is determined using the following annual rates and methods over the estimated useful lives of the assets as follow:

Tangible assets

Furniture	10% declining balance
Equipment	20% declining balance
Computer Hardware	Straight-line over 4 years
Leasehold improvements	Straight-line over term of lease

Intangible assets

Computer Software	Straight-line over 5 years
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Deferred lease inducements

Deferred lease inducements represent leasehold improvement allowances paid or payable by landlords. Such inducements are amortized on a straight-line basis over the remaining term of the lease and recorded as a reduction of rent expense.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

3. SHORT-TERM INVESTMENTS

	2016	2015
	\$	\$
Term deposits	-	6,750
Accrued interest	-	12
	<u>-</u>	<u>6,762</u>

The term deposits, which bore interest at rates ranging from 0.91% to 1.10%, matured during the year and were not re-invested.

4. INVESTMENTS

As part of the current governance agreement effective as at April 1, 2011, the Province of Alberta requires that at least \$2,500 of its funding be deferred and held as restricted cash for non-forecasted or unbudgeted costs, with use below the \$2,500 minimum amount requiring advance approval and subsequent replenishment. Additional restrictions on annual surpluses and funding received from the Alberta Law Foundation would also be required if certain conditions were met in a fiscal year.

The minimum restricted cash requirement has been met with an investment in a term deposit, which matures on December 5, 2016 and earns interest at a rate of 1.42% [2015 - 1.41%]. Interest on the investment is paid annually.

	2016	2015
	\$	\$
Term deposits	<u>2,500</u>	2,500
Accrued interest	11	11
	<u>2,511</u>	<u>2,511</u>

5. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Tangible assets				
Furniture	941	578	960	548
Equipment	466	368	520	394
Computer hardware	2,256	1,156	2,639	2,086
Leashold improvements	6,678	5,326	5,461	5,191
	10,341	7,428	9,580	8,219
Intangible assets				
Computer software	6,803	2,638	7,239	5,619
	17,144	10,066	16,819	13,838
Net book value		7,078		2,981

Leasehold improvements with a cost of \$276 [2015 - nil] and computer software with a cost of \$3,236 [2015 - \$638] were not available for use at the year-end and amortization has not yet commenced.

6. PROVISION FOR UNBILLED SERVICES PROVIDED ON OUTSTANDING CERTIFICATES

The provision for services provided by members of the private bar that have not been billed on outstanding certificates is estimated at year end using a method that incorporates historical median costs and time frames to complete similar cases. At March 31, 2016, the Society had approximately 24,200 [2015 - 21,600] outstanding certificates issued to the private bar with an estimated liability of \$3,200 [2015 - \$3,500].

The estimated liability is subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount. Due to the uncertainty involved in the estimation process, there will likely be a difference between the estimated and actual liability and the difference may be material.

In addition to the liability for unbilled services provided to March 31, 2016 on outstanding private bar certificates, the Society estimates the future costs to complete private bar and the Society staff counsel certificate files. At March 31, 2016, there is an estimated \$24,400 [2015 - \$23,400] that will be incurred on approximately 27,000 [2015 - 24,200] outstanding certificates issued to the private bar and the Society's staff counsel over and above both the billings paid to date and work performed but not yet billed. Due to the uncertainty in the estimation process, there will likely be a difference between the estimated and actual costs to complete outstanding certificates and the difference may be material.

7. COMMITMENTS AND CONTINGENCIES

[a] Commitments

The Society is committed under operating leases for office premises to make annual payments in the following amounts for the next five years and thereafter:

	\$
2017	2,699
2018	2,545
2019	2,446
2020	2,236
2021	2,244
Thereafter	5,731
	<u>17,901</u>

[b] Contingencies

During the ordinary course of business activities, the Society may be contingently liable for litigation and claims from clients, suppliers and former employees. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the financial position or results of operations of the Society.

8. OTHER PROGRAM EXPENSES

Other program expenses reflected in the statement of revenue and expenses, classified by object, are as follows:

	2016	2015
	\$	\$
Salaries and benefits	28,174	28,605
Rent	2,538	2,704
Amortization of capital assets	1,042	1,219
Purchased services	797	721
Office and sundry	559	604
Computer operations and maintenance	1,019	524
Travel and allowances	265	279
Legal disbursements	263	239
Non-rebatable Goods and Services Tax	284	159
Other	220	281
	<u>35,161</u>	<u>35,335</u>

A portion of rent expense has been allocated to other program expenses as follows:

	2016	2015
	\$	\$
Client Services	944	948
Management and Administration	367	439
	<u>1,311</u>	<u>1,387</u>

9. RELATED PARTIES

Certain members of the board of directors provide certificate services to the Society. These legal services are provided in the regular course of business under the same tariff of fees as other lawyers. During the year, directors provided certificate services of approximately \$376 [2015 - \$401] to the Society and their respective firms provided additional certificate services of approximately \$573 [2015 - \$640].

10. LEGAL AID FOUNDATION OF ALBERTA

Legal Aid Foundation of Alberta [the "Foundation"] was incorporated on February 7, 2013 under the Business Corporations Act of Alberta. The Society controls the Foundation, the purpose of which is to raise philanthropic and sponsorship funds. The Society appoints the majority of the Foundation's Board of Directors and, according to the Foundation bylaws, all resources of the Foundation must be provided to the Society or used for the Society's benefit. The Foundation is a registered charity and under the provisions of the Income Tax Act (Canada) is exempt from income taxes.

There were no fundraising activities or business transactions related to the Foundation for the years ended March 31, 2016 and 2015, and as at March 31, 2016, the Foundation had no assets.

11. FINANCIAL INSTRUMENTS

Credit risk

The Society's exposure to credit risk represented by the carrying amount of accounts receivable, results from the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Society monitors outstanding balances regularly and allows for uncollectible amounts when determined.

Interest rate pricing risk

The Society is subject to interest rate pricing risk with respect to its short-term and long-term investments because the fair value will fluctuate due to changes in market interest rates. The risk is expected to be low given the high liquid nature of the instruments and their relatively short terms to maturity.

Liquidity risk

The Society is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities.

LEGAL AID ALBERTA

OFFICES

Provincial Office

400, 10320 102 Avenue
Edmonton T5J 4A1 Phone: 780.644.4971 Fax:
780.415.2618

Legal Services Centres

Phone: 1.866.845.3425

Edmonton

600, 10320 102 Avenue, T5J 4A1

Calgary

1100, 665 – 8 Street SW T2P 3K7

Red Deer

200, 4802 51 Avenue, T4N 4H3

Lethbridge

244, 200 4 Avenue, South T1J 4C9

Siksika Nation

On reserve

Criminal Resolution Office

Edmonton

400, 10320 102 Avenue, T5J 4A1

Calgary

1110, 665 – 8 Street SW T2P 3K7

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Lethbridge

244, 200 4 Avenue, South, T1J 4C9

Wetaskiwin

5201 50 Avenue, T9A 0S7

Fort McMurray

717 – 9915 franklin Ave, T9H 3Z4

Medicine Hat

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Siksika Nation

On reserve

Family Law Office

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Calgary

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Red Deer

202, 4802 51 Avenue, T4N 4H3

Lethbridge

243, 200 4 Avenue South, T1J 4C9

Wetaskiwin

221, 5201 50 Avenue, T9A 0S7

Youth Criminal Defence Office

Edmonton

310, 10320 102 Avenue, T5J 4A1

Calgary

1120, 665 – 8 Street SW T2P 3K7