





Our Vision

An Alberta where everyone can access

justice and achieve fair and lasting

resolutions to their legal issues.

View the Annual Report online at www.legalaid.ab.ca/AnnualReport2014

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Board of Directors

Derek Cranna, Chair Lori Bokenfohr Robert Calvert Q.C. Lance Clark Linda Cook Maria David-Evans Adam Letourneau Denise Lightning Richard Luciani Dan Ritter Martin West

Message from the Chair

Honourable Jonathan Denis Minister of Justice and Solicitor General Province of Alberta 403 Legislature Building 10800 97 Avenue Edmonton, AB T5K 2B6 Kevin Feth, Q.C. President Law Society of Alberta 800 Bell Tower, 10104 103 Avenue Edmonton, AB T5J 0H8

Dear Honourable Minister Denis and Mr. Feth,

On behalf of Legal Aid Alberta's Board of Directors, I am pleased to present the 2014 Annual Report, in accordance with the requirements of the Governance Agreement, Sections 12(b) and 13(b).

Legal Aid Alberta (LAA) continues with its focus on providing the best possible service to Albertans within the resources available. This past year saw the development and implementation of several initiatives to advance LAA's strategic plan. From streamlining of operations and administration through the use of technology in projects, such as the Customer Relationship Management program, to utilizing in-house expertise to develop training sessions for staff, roster and stakeholders, LAA has fully embraced innovative, efficient and effective solutions.

Through tracking and analyzing key indicators, it became clear that the way Albertans are choosing to access our services has changed. Since the provincial model was established in 2010, there has been a shift from in-person visits to the use of LAA's telephone service. Now more than 90 per cent of people who contact LAA are choosing to use our telephone services for support in addressing their legal concerns. Ongoing analysis of key indicators will result in continued efficiencies in conjunction with improved outcomes.

Using the strengths developed this past year and building for the future will take strong leadership. To move the organization forward, the Board was pleased to appoint Suzanne Polkosnik, Q.C. to the position of President & CEO in March 2014. The Board is confident that she will continue to emphasize LAA's service to Albertans by implementing innovative practices and rigorous analysis of who we serve and how.

In the coming year we look forward to continuing discussions with our key stakeholders, the Ministry of Justice and Solicitor General and the Law Society of Alberta, in order to enhance LAA's ability to assist our most important stakeholders – the people of Alberta.

Sincerely,

Derek Cranna Chair



Message from the President and CEO

Taking on the role of President & CEO in March 2014 has afforded me the opportunity to review the past fiscal year and to use strategies in place as a foundation to advance and renew long-term planning for Legal Aid Alberta.

A priority for the organization is achieving sustainable, predictable and adequate funding. This trio is key to providing the stability needed to ensure Albertans can access justice and find lasting resolutions to their legal issues. With this stability will come greater opportunity to continue our work in finding new ways to improve access to justice and in developing and delivering essential services efficiently.

As the population of the province continues to grow and the need for Legal Aid Alberta's services are in greater demand, as an organization it will be critical that the services we offer are complementary to the needs of Albertans. This will include looking at how Albertans are accessing our services, their priorities, and how we can streamline our delivery to not only provide the appropriate services, but to provide access in the ways clients expect to be served.

There is no question that the future will bring both challenges and opportunities, which will be met through the joint effort of the Board of Directors and the talented staff who work at Legal Aid Alberta.

Sincerely,

Suzanne Polkosnik, QC President and CEO

Mission

We are a leader in the provision of quality, efficient and integrated services that enable our clients to resolve their legal issues.

A team approach to making a difference.



cott* is a young guy who arrived unrepresented at the court house and was directed to see LAA's Murray Shack. With Murray's years of experience, it didn't take long before he realized Scott's needs were far beyond his legal issues. Murray works in the Red Deer area and is one of the team that provides a tremendous benefit to Albertans by helping them navigate the justice system during their first court appearance if they are unrepresented. It's called duty counsel and is available to all Albertans, regardless of their income, to help facilitate effective and efficient appearances at the court houses. With this service being available at every court house in the province, you can well imagine the number of people that would use the services of duty counsel.

After listening to what Scott had to say, Murray felt this young guy was capable of doing himself personal harm. He called on LAA's Camille Vickers who is part of a pilot program to have Family Resource Facilitators in the court house during segments of the duty counsel hours. Camille completed an assist assessment, and she was able to guickly confirm that Scott needed immediate assistance. "It was clear there was a history of trauma, and that could have been why he had been violent towards other people," said Camille. "But, what he needed right now was medical help, because he definitely had a plan to end his life that night." Scott was living in a campground with no services and no phone. "It was basically in the middle of nowhere and I couldn't let him go back there." So she contacted the RCMP and the documentation was completed to take

him to the hospital under the mental health act. She knew she needed him off the street or he would not be alive in the morning.

Murray looked after the legal side of Scott's issues and Camille followed through on the personal side. Over the past 40 years of LAA's operation, it has become abundantly clear that when you resolve the issues creating the behavior that lands people in legal trouble you rarely see them back in the system. This is why this pilot program was developed. It partners lawyers with supports that help people get the help they need. Because Murray was able to draw on Camille's expertise, a young man's life was saved and he was able to get the help he needed to address his issues.

As one of LAA's Family Resource Facilitators, Camille has many responsibilities in helping clients with crisis intervention, advocacy, information and referrals. The pilot in conjunction with duty counsel launched in January 2014 and was originally scheduled to end in April, but has been so successful it has now been extended another six months. LAA believes in fostering its clients' legal well-being and that often means working as a team to get to the root of the problem before we can enable timely and lasting resolution of

their legal issues. Murray and Camille are great examples of this team approach.

*not his real name

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Knowing your rights is the first step.



amily violence for many Albertans is an unknown entity, but for those living in violent situations the effects can be devastating. It has far reaching tentacles that impact the well-being of women, men, children and seniors in this province, and it is certain that no one is immune. While the rates of self-reported spousal violence in Alberta have continued to drop, Alberta's stats are still significantly higher than the national average. It has been described as being 100 per cent preventable, and research has clearly defined the foundation of that prevention in ensuring children and adolescents are not exposed to or witness family violence.

When Terry* met with LAA's Family Law Office lawyer, Sarah Dargatz, she was ashamed and embarrassed because she had let the family violence go on too long. According to Sarah, her situation is not that uncommon. "She didn't know her rights. Her husband threatened that she would lose her kids," said Sarah. "Once we were in court it was evident to the Judge that an Emergency Protection Order was needed and from there Terry was able to take steps for a parenting order and maintain custody of her kids."

Terry arrived in Canada from the United States believing she was headed into a loving marriage and would create a fulfilling life where she could raise a family. As time progressed, she realized that was not going to be her reality. When the events at home became a risk she was not willing to let her children experience, she reached out to the RCMP and this path led to Sarah.

"I had no idea what to do," said Terry. "I had never had any legal matters before and I was so nervous at each court appearance. I was worried about my kids; it was always about my kids." She was determined to get her children away from the mire of domestic violence and into a safe situation, but there are many steps in between, and the help of a legal navigator like Sarah can ease the way forward. "Without that help I don't know where we would be right now. I am forever grateful," said Terry. The fact is that because Sarah was there and the Emergency Protection Order Program was in place for Terry, she was able to maintain protection while arranging to move back to the United States, where she found employment to support her children, and created a peaceful environment where she knows her children are safe.

The Emergency Protection Order Program is offered in both Edmonton and Calgary to all Albertans regardless of income, and over the last year Legal Aid Alberta's offices assisted more than 4,600 people at Provincial court to obtain their orders, and referred many to support services. Estimates indicate this Legal Aid Alberta service has a public sector saving of \$18.5 million in annual costs because women and men were not staying in abusive relationships. The impact on Alberta and the people who live in this province is substantial.

While that statistic portrays the big picture impact, the team at LAA believe everyone deserves to be free from family violence and Terry's story helps bring it much closer to home for all of us. "I believe getting Sarah's help saved the lives of both me and my children," said Terry. "I appreciate everything Legal Aid Alberta and Sarah did for us."

*Not her real name.

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Here to help.



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any of Laurie Wood's clients have spent their lives living in doubt. The road has been anything but easy, which is why her first meeting starts

with taking time to get to know the person and the journey that has led them to need representation by a Legal Aid Alberta roster (private bar) lawyer. "I begin by saying that I don't know anything about you so let's start there," said Laurie. And, that's where the relationship begins. "I start by going through details about them, the charges, what an expected outcome might be, and, above all, I let them know they will be looked after. The relief is visible and I can see the anxiety dissipate."

Laurie is well known by her colleagues for being compassionate, fair, and there for her clients even if it means driving to a remote corner of the province. Her focus is on doing the best possible job for her clients and ensuring they are not lost in the shuffle of the system.

With more than two decades of experience in representing Albertans, she knows that part of the job is looking for what might be at the root of the issue. This scope of understanding helps Laurie in often finding alternatives that will help deal with the client's issues and provide for better outcomes in the justice system. Many of Laurie's clients are impacted by fetal alcohol spectrum disorder and require special care when explaining the circumstances of their legal challenges. She takes time to find out their fears and ensures they understand the process. "I know they're afraid. Our clients are usually the poorest of the poor and usually don't have much going their way." It is not uncommon for her to sit down with an individual who is thinking the worst will happen to them and believing that ending their life is their best alternative. "I've never stopped feeling the vulnerability of our clients."

Laurie also takes time to talk to her staff about this vulnerability and how it impacts the person their team is representing. "I explain to my staff that when we get a call, especially from someone in custody, they are scared and alone, so it's important to take some time and be patient," adds Laurie. "The phone call is probably the only contact with anyone on the outside." Having this connection is important to a client's wellbeing, but they often can't afford a phone call, or their family might be in another place, or they have been transferred to an institution away from family, and that phone call to a lawyer is all they have. "We're often asked to call someone they know to just 'let them know I'm alive and I'll call when I can.'" It's a simple task that means so much.

Last year, Laurie was a recipient of a Legal Advocacy Access to Justice Award for her work in ensuring access to justice in Alberta through her practice and other involvement. "My clients don't know their rights and without that knowledge people can easily be abused. This work is a great opportunity."

Laurie is well known by her colleagues for being compassionate, fair, and there for her clients even if it means driving to a remote corner of the province.

It's not a one size fits all.



ith his front-line experience, Legal Services Officer Lowell Carroll knew statements made by Sam* could mean he was homeless.

"He made several claims that were of concern, but I noticed that he had a stack of papers with him that he had obviously been carrying around for a long time" said Lowell. "I decided to ask if I could look through his papers while we were talking, because I felt there had to be something I could do to help." It was there that Lowell discovered documents that indicated Sam had mental health issues and also that he had been diagnosed with cerebral palsy. Sam had not worked in more than ten years and was collecting bottles to try and cover his basic needs. His ability to express himself was very limited and Lowell was concerned he may not understand the benefits he could access or the forms he would need to fill out to receive the benefits.

Bit by bit, Lowell sifted through the information to determine what could be at the root of Sam's legal needs. "He was very vulnerable, and because of his issues I felt he could easily be persuaded in the wrong direction, so I started to look at how we could get him in a safe place off the street. Sam didn't understand AISH (Assured Income for the Severely Handicapped), but I knew this was a place to start. I got permission to help him fill out his forms, but when they were ready to go I ran into a problem," adds Lowell. "Sam refused to sign the forms because he was worried he was going to give away his rights and could be locked up. He was too afraid to sign." Lowell contacted AISH and through several steps was able to coordinate funding for Sam. Once the funding was in place, Lowell then contacted another resource who was able to find Sam a place to live.

"When I was sorting through his documents, I also found papers showing he had been evicted from his previous residence, but that his damage deposit had never been refunded." Lowell couldn't find a justifiable reason and so he tapped another referral frequently used by LAA, the Residential Tenancy Dispute Resolution Service. "Again, Sam had no ability to understand the process, so I helped him with the documents and an order was issued in his favour. So, he also got back his damage deposit."

Lowell knew he had taken Sam as far as possible with LAA, but followed up with him to keep track of how he was doing. Sam told him that he had been in an altercation and there was now a Community Treatment Order in place to ensure he would take his medication. Taking his medication means Sam is able to function and live on his own, but thanks to Lowell he has a stable place to live and the financial resources to cover his medication and his basic needs.

The staff that work in the Legal Services Centres are on the front lines and are often the first contact for people in need. Once an assessment is complete, they look for the best resources for each person who phones or arrives at one of LAA's offices. As Lowell clearly demonstrated, it is not a one size fits all operation, but a series of steps to help the client deal with their specific

issue. There are many resources available for the Legal Services Officers to access, but where the team at LAA make the difference is in translating these resources into meaningful solutions for the individual. LAA's goal is to help people find lasting resolution to their legal issues, and we make it happen one person at a time. *Not his real name.

"He was very vulnerable, and because of his issues I felt he could easily be persuaded in the wrong direction, so I started to look at how we could get him in a safe place off the street."

Advancing Our Strategy

Business Unit Summary

Overview

Legal Aid Alberta (LAA) offers a broad range of services, from information to representation. Its legal services include criminal (adult and youth), family, child welfare, refugee/immigration, and civil. As LAA continues to advance its strategic plan, there is continued emphasis on addressing efficiencies and effective operations to meet Albertans' needs today and well into the future.

The types of services and number of services provided fluctuate according to the needs of Albertans and the reporting of completed files by the LAA roster (private bar) lawyers.

Certain comparative figures in the table below have been restated to conform to the presentation adopted for the current year.

Number of services provided (rounded to the nearest 100)

Service	2013-14	2012-13
Certificates (limited scope and full representation)	28,900	30,300
Criminal Resolution Office	3,500	3,200
Family Settlement Services	400	600
Advice and Brief Services	11,500	12,700
Information, resources and referrals	51,800	50,500
Duty Counsel	141,400	139,400
Total	237,500	236,700

Legal Services Centres (LSC)

The LSC is often the first contact within LAA for Albertans searching for support or information in dealing with a legal issue. Legal Services Officers work with callers or in-person clients to first assess the legal issue and to determine their specific need and the type of service that would be most beneficial. Services could include referrals to appropriate support organizations, and, when appropriate, legal advice, access to early resolution programs, or full representation. In 2013-14, the LSC assisted more than 210,000 Albertans through the phone service.

In fiscal 2013-14, the LSC implemented Service Delivery Procedures, which focus on consistent service delivery for clients. These procedures represent one more completed component in the LSC strategic plan to ensure LSC processes and procedures are targeted to the needs of LAA clients.

To support Albertans in finding the most useful resources, the LSC created a robust information referral tool that supports the Legal Services Officers across the province. This referral tool is updated on a regular basis to ensure the most accurate information available is provided to clients.

The number of new matters (individuals who have not previously been clients) handled by the LSC continues to increase each year. LAA is often the first call for Albertans with a legal issue.

New Matters by type (rounded to the nearest 100)

	2013-14	2012-13
Appeals	200	0
Child Welfare	1,800	2,400
Civil	3,800	3,100
Family	11,200	10,200
Immigration	700	600
Criminal	31,000	30,000
Total	48,700	46,300

An LSC also operates at **Siksika Nation** in partnership with Siksika Justice. Services are provided in a number of areas including criminal law, family law and civil law. LAA staff at Siksika often work with other agencies and services on the reserve, such as Aiskapimohkiiks (mediation based program for early intervention), the court work program, Youth Justice Committee, police services and income support services, in order to provide more meaningful assistance to the Siksika community and to advocate for client needs.

Lawyer Appointing: Certificate Management Team (CMT)

LAA, through the Certificate Management Team (CMT), appoints lawyers to eligible clients on a wide variety of legal issues. LAA through CMT also administers the Court Ordered Counsel program on behalf of the Minister of Justice and Solicitor General in accordance with the Governance Agreement.

A majority of the representational services are provided by the roster (private bar) for limited scope or full representation. At the end of fiscal 2013-14, there were 978 lawyers on the LAA roster, with 771 accepting certificates during the year. There continues to be a shortage of lawyers practicing family law, and emphasis in this recruitment area will continue to be a priority.

Number of Legal Aid Alberta certificates issued by category (staff and roster, rounded to the nearest 100)

Category	2013-14	2012-13
Adult Criminal	18,100	18,100
Young Offenders	4,100	4,400
Family/Civil	6,700	7,800
Total	28,900	30,300

Duty Counsel

Duty counsel services are available in all **criminal and youth** docket courts across Alberta, and in many other docket courts as required. These lawyers provide information, guidance and advice prior to an individual's appearance and representation in docket court. Their work focuses on helping the individual navigate the court process and in assisting the client in sorting through what should be ready and properly prepared before court for presentation to the judge.

There are two areas of duty counsel with respect to **family matters**. At Queen's Bench, duty counsel assists clients with a variety of matters, such as custody, access, guardianship, parenting, contact, child and spousal support, declarations of parentage, restraining orders and a variety of property issues. At Provincial Court, duty counsel assists clients with a variety of matters, such as child welfare matters, guardianship, parenting, contact, and child and spousal support. In both situations, duty counsel provides the client with information, legal advice on their situation, attempts to negotiate a resolution with the opposing party or counsel, and represents the client in going before the Chambers Justice or Provincial Court Judge.

In Provincial Court, duty counsel assists with **Emergency Protection Orders** (EPO), for clients who have questions pertaining to domestic violence. Located in the courthouse, the duty counsel triages the client's information and assesses whether the matter meets the requirements of the Protection Against Family Violence Act. If it meets the definitions within the legislation, then the EPO duty counsel will assist with the completion of the EPO application and represents the client in the EPO application before the Provincial Court Judge. Duty counsel also assists clients who do not meet the requirements for an EPO with information and advice on alternative courses of action, such as a Queens Bench Protection Order, a restraining order or custody or parenting order. Queen's Bench EPO duty counsel assists clients who have obtained an EPO order at the review hearing before a Justice of the Court of Queen's Bench. Duty counsel reviews the transcript of evidence and contacts the client to provide advice and obtain instruction as to the client's desired outcome for the EPO. The Queen's Bench EPO duty counsel will represent the client at the EPO review hearing to have the order confirmed if that is the client's instructions. In both courts, duty counsel will also, where appropriate, develop a safety plan with the client and provide them with information on resources in the community to assist victims of domestic violence.

These services are provided free of charge to anyone seeking assistance, and offer significant benefit to the courts and to Albertans requiring these services.

LAA also provides **Brydges Duty Counsel** in accordance with the Governance Agreement. This telephone service is offered free on a 24-hour basis to individuals under arrest and in custody, or under active investigation by law enforcement authorities who need immediate advice on their charter rights. Translation services are available in 110 languages through the telephone service.

The Youth Criminal Defence Office offers **Brydges Duty Counsel to youth** in Edmonton and Calgary on a 24-hour basis. These lawyers specialize in youth matters and are often required to contact other individuals on behalf of the client, such as family, caregivers, youth workers, social workers, police, probation, and may also include participation in teleconference and in-person hearings. The statistics do not capture these additional calls when dealing with this specific age group.

Number of duty counsel services (rounded to the nearest 100)

Category	2013-14	2012-13
Adult Criminal	96,100	94,500
Young Offenders	10,600	12,200
Civil/Family	13,400	10,400
Adult Brydges*	17,300	17,500
Youth Brydges**	4,000	4,800
Total	141,400	139,400

*In 2013-14, 778 of these calls were received from youth. (2012-13, 785)

**Edmonton and Calgary only.

Criminal Resolution Office (CRO)

CRO provides representation to clients who wish assistance in reaching early and effective resolution of their legal issue. The cost to a client of a successfully resolved file through CRO is often far lower than it would be if using other forms of resolution. The CRO team also provides duty counsel at many court houses in the province.

CRO and LAA's Family Law Office developed a pilot project in January 2014 that combines the skills of a Family Resource Facilitator (social worker) and a CRO lawyer to support clients who attend docket court and the LAA office in Red Deer. Early indications suggest this approach will support resolving the underlying issues clients face that often bring them into contact with the criminal justice system. From the January implementation to the end of this fiscal year, the Family Resource Facilitator assisted 260 duty counsel clients and 51 CRO clients.

To enhance and encourage discussion and understanding regarding domestic violence court matters, the Lethbridge CRO team meets weekly with various agencies (police, women's shelter, child welfare workers, Native Counselling, Victim Services and Duty Counsel) and the prosecutor. This collaborative discussion benefits both the client and the court.

In Calgary and Edmonton CRO works closely with Alberta's two Drug Treatment courts. Specially assigned CRO lawyers assist participants on their journey through recovery, with support to deal with their legal issues and also with personal issues and disciplinary issues that will in concert support the successful completion of the program by clients. CRO is viewed as an essential part of the Drug Treatment Court Team in both locations.

Family Law Office (FLO)

FLO expanded its operations this past year and now includes Edmonton, Calgary, Lethbridge, Wetaskiwin and Central Alberta (Red Deer). FLO assists family law clients with a variety of legal matters including divorce, custody, parenting and contact, child and spousal support, grandparent contact orders, representation of children in high conflict custody disputes, child welfare matters and property disputes. FLO is recognized for its expertise in representing children in high conflict matters and often receives referrals directly from the courts.

The child welfare early resolution teams in Edmonton and Calgary work towards achieving outcomes that are focused on family reunification and in the best interests of all involved. FLO provides triage services to child welfare clients, by identifying the core issues for parents and facilitating focused discussions relating to protection concerns, setting reasonable achievable tasks for the clients and helping clients achieve those goals. In 2013-14, more than 50 percent of the child welfare files referred to FLO were resolved with early resolutions and positive results for the clients and stability for their children. The early resolution process is an effective use of resources and is a cost savings for clients and LAA.

FLO has taken a leadership role in challenging and influencing changes to child protection law in Alberta. Strong advocacy from FLO has led to amendments to the Child Youth and Family Enhancement Act allowing for Permanent Guardianship Orders to be later reviewed by families. It also participated in a FOIP application that led to the government making dramatic changes to the secrecy surrounding how children are treated in care. FLO has represented parents in end-of-life cases where the rights of guardians have been potentially impacted by state decision-making. FLO advocated such a case to the Court of Appeal and sought leave to the Supreme Court of Canada to ensure that the law in Alberta is clarified to ensure parents' rights are protected and their voices heard.

FLO continues to take an innovative approach to training to ensure it keeps abreast of developments in family law. Several in-house sessions were developed, with presentations from guest lecturers and staff lawyers, and provided for training to FLO staff, LAA staff in other business units, and to the roster.

The Emergency Protection Order program (EPO) in Edmonton and Calgary continue to be critical services to victims of domestic violence in Alberta. The program provides legal assistance, advice and representation to claimants applying for an EPO in Provincial Court through EPO Duty Counsel in Edmonton and Calgary and duty counsel assistance during the confirmation hearings in the Court of Queen's Bench in Edmonton, Calgary, Wetaskiwin, Lethbridge and Red Deer. To enhance understanding and bring awareness to the impact of domestic violence on the well-being of all Albertans, the EPO team is active in providing information sessions and training to agencies that provide service to victims of family violence.

Number of EPOP clients by location (rounded to the nearest 100)

Category	2013-14	2012-13
Edmonton	2,500	2,000
Calgary	2,100	1,800
Total	4,600	3,800

Youth Criminal Defence Office (YCDO)

Located in Calgary and Edmonton, the YCDO provides holistic criminal defence services to youth in conflict with the law. It also provides legal services and youth worker advocacy to youth on a daily basis inside and outside of the Youth Justice Court system.

The legal services provided include: duty counsel advice; Brydges services (24-hour legal advice upon arrest); interim release applications; plea negotiations; trials; sentencing hearings; and appeals (including Court of Queen's Bench, Court of Appeal and the Supreme Court of Canada). The YCDO youth workers play a significant role in youth advocacy by identifying realized or potential risk factors; creating customized case/release plans; recommending or advocating for resources, interventions and/or support from Child and Family Services or other governmental ministries, and by providing support in making positive lifestyle changes. Support to navigate and complete the Extrajudicial Sanctions Program is also offered.

YCDO lawyers and youth workers continue to be leaders in the development of supportive plans for youth with fetal alcohol spectrum disorder and using those plans to advocate for their clients in the courtroom. In both cities, the YCDO has been instrumental in developing conferencing projects under s.19 of the Youth Criminal Justice Act that bring together both government and community organizations to create wrap-around services to youth with the diagnosis. This team also works collaboratively with a multitude of community agencies and continuously strives to identify needs and advocates to bridge resource gaps in the system.

Community Outreach

University of Alberta (U of A)

In 2010, LAA, along with the U of A Law School and the Edmonton Community Legal Clinic (ECLC), established the *Low Income Individuals and the Law* clinical placement course. It has been successfully educating students in the areas of skill development in the practice of law; experiential learning with substantive and theoretical knowledge; encouraging professional responsibility; and sharing information necessary for a critical understanding of social, economic and the cultural context of the law and legal service delivery. For the 2013/14 school year, there were 10 students accepted to the course. Seven of the students came to LAA for placement in the Criminal Resolution Office, Youth Criminal Defence Office, Family Law Office and the Legal Services Centre.

A cross benefit of the course for LAA resides in its lawyers having the opportunity to mentor the next generation of access to justice lawyers.

Pro Bono Students Canada

In its third year, this collaboration between the University of Calgary and the Family Law Office creates an opportunity for law students to attend Calgary Provincial Court to assist with the Emergency Protection Order program duty counsel. Through this program, students gain experience in developing interview skills, analyzing information for a client in a legal context, and completing the related forms. It is an important triage role that readies the client to meet with the Emergency Protection Order Duty Counsel lawyer for further intake and for their court appearance. There is an average of six student volunteers per university term.

Student Legal Services (SLS)

The Family Law Office (FLO) lawyers work in partnership with SLS at the University of Alberta to provide law student volunteers with SLS practical experience and guidance that is beneficial to the students' education. Students are required to maintain logs detailing the information they receive from and referrals they provide to individuals accessing SLS, which are routinely reviewed by FLO lawyers and discussed with the students to ensure the information is accurate and in keeping with legal standards. In addition to acting as a referral service, students carry active child support files in Provincial Court, and at times in the Court of Queen's Bench. These active files are reviewed weekly by FLO lawyers. The program was expanded this year to have the SLS summer students provide assistance to the lawyers volunteering at the Edmonton Community Legal Clinic's summary legal advice clinic, a practice that is anticipated to continue in the new school year. Each year, SLS offers four Do-Your-Own-Divorce clinics at the university and assists individuals with completing necessary forms. These sessions are supervised by FLO lawyers.

Over the course of a year, FLO lawyers provide guidance and act as mentors to an average of 30 students.

Financial Report

Management's Discussion and Analysis

The following discussion of The Legal Aid Society of Alberta's (the Society or LAA) financial results for the year ended March 31, 2014 should be read in conjunction with the Society's audited financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

The following includes a discussion of estimates of future financial information. The difference between those estimates and actual results may be material.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year. All amounts are in thousands of dollars unless otherwise indicated, consistent with the financial statement presentation.

Summary

LAA began the 2014 fiscal year with a cash position¹ of \$16.6 million, a budgeted deficiency of revenue over expenses for the fiscal year ended March 31, 2014 of \$7.6 million, and a budgeted decrease in cash position of \$7.2 million.

Table 1 - Comparison of 2013-14 actual to budgeted results

	Actual 2013-14	Budget 2013-14	Change
Revenue	\$ 69,259	\$ 69,335	\$ (76)
Expenses:			
Private bar	38,555	37,400	(1,155)
Other program expenses	38,942	39,546	604
Deficiency	\$ (8,238)	\$ (7,611)	\$ (627)

Actual results for the year yielded a deficiency of \$8.2 million (Budget – \$7.6 million deficiency) and cash position of \$8 million (Budget – \$9.3 million) at March 31, 2014; a decrease in cash position of \$1.3 million compared to budget.

The deficiency was \$0.6 million greater than budgeted due principally to:

- 1. \$0.1 million lower than budget revenues due to a \$0.3 million shortfall in recoveries and contributions from clients, partially offset by \$0.2 million higher than budgeted investment income;
- \$1.2 million higher than budgeted private bar expenses largely due to payments on high cost cases of \$3.8 million (Budget \$3 million);
- 3. \$0.1 million lower than budgeted salary and benefit expenses of \$31.3 million (Budget \$31.4 million) largely due to lower than budgeted staffing levels, offset by \$1.4 million for an unbudgeted voluntary employee separation program; and
- 4. \$0.5 million lower than budgeted administration expenses of \$7.6 million (Budget \$8.1 million).

Table 2 - Revenue and expenses

	2013-14	2012-13	2011-12	2010-11	2009-10
Revenue	\$ 69,259	\$ 76,303	\$ 66,822	\$ 65,141	\$ 64,480
Expenses	77,497	73,771	69,486	71,224	76,258
Surplus (Deficiency)	\$ (8,238)	\$ 2,532	\$ (2,664)	\$ (6,083)	\$ (11,778)

¹Cash position is defined in this report as cash and term deposits, short term investments and investments, less outstanding cheques in excess of related bank balances.

Revenue

The Society's revenues for the 2014 fiscal year were \$69.3 million, representing a \$7 million decrease compared to the prior year. In March 2013, the Minister of Justice and Solicitor General (the Minister) advised the Society that it would receive an additional \$7 million in grant funding applicable to the 2013 fiscal year intended to address the fiscal 2013 deficit and replenish LAA's reserve fund.

Table 3 - LAA revenue sources

	2013-14	2012-13	2011-12	2010-11	2009-10
Province of Alberta	\$ 58,810	\$ 65,810	\$ 56,310	\$ 58,810	\$ 53,810
Alberta Law Foundation	5,500	5,500	5,500	1,138	5,918
Recoveries and contributions from clients	4,296	4,474	4,501	4,798	4,466
Interest and other	653	519	511	395	286
Total	\$ 69,259	\$ 76,303	\$ 66,822	\$ 65,141	\$ 64,480

Provincial funding

LAA presents its annual budget to the Minister and generally receives approval after the start of each fiscal year. Once the budget has been approved, the Minister provides LAA with a letter confirming funding for the year. Funding from the Alberta provincial government provides the largest portion of the Society's revenue and represented 85% of total revenue in fiscal 2014 (2013 – 86%).

Federal funding

The federal government contributed \$0.5 million (2013 – \$0.4 million) to the provincial government for immigration and refugee matters. The federal government also contributed \$10.4 million (2013 - \$10.4 million) to the provincial government for youth and adult criminal matters. These funds are transferred from the federal government to the provincial government, and are included with the provincial government's annual grant to LAA.

Alberta Law Foundation (ALF) funding

Funding from ALF represented 8% (2013 - 7%) of total revenue.

In February 2012, the First Amending Agreement to the Governance Agreement dated February 14, 2011 was signed, and provided for minimum annual funding by ALF to LAA of not less than \$5.5 million. The First Amending Agreement was applicable to LAA's 2012 to 2014 fiscal years. In September 2013, the Second Amended and Restated Governance Agreement dated August 8, 2013 was signed and provides for minimum annual funding by ALF to LAA of \$6 million, applicable to the 2015 and 2016 fiscal years.

Had the First Amending Agreement not been in place, ALF would have contributed approximately \$3.7 million to LAA in fiscal 2014 (2013 - \$3.1 million) based on the funding formula of 25% of the interest earned on Alberta lawyers' general trust accounts, pursuant to the Legal Profession Act.

Recoveries and contributions from clients

In cases where repayment will not cause undue hardship, LAA expects clients to repay the cost of their legal services. In 2014, recoveries and contributions from clients totaled \$4.3 million (2013 – \$4.5 million), providing a very valuable source of revenue.

Table 4 - Recoveries and contributions from clients

	2013-14	2012-13	2011-12	2010-11	2009-10
Recoveries and contributions from clients	\$ 4,296	\$ 4,474	\$ 4,501	\$ 4,798	\$ 4,466
As a % of recoverable expenses	13%	13%	14%	12%	10%

Although recoveries and contributions from clients in 2014 declined by \$0.2 million compared to the prior year, amounts collected as a percentage of recoverable expenses remained unchanged.

Interest and other income

LAA receives its annual provincial funding generally in two equal installments and its funding from ALF in September of each year. LAA invests available cash in term deposits with a Canadian financial institution. Interest earned on these deposits in fiscal 2014 was \$0.4 million (2013 – \$0.3 million). LAA also received funding in fiscal 2014 from the provincial government for its Emergency Protection Order program of \$0.2 million (2013 – \$0.2 million). This program is administered by LAA's Family Law Office.

Expenses

In 2014, LAA's expenses increased by \$3.7 million to \$77.5 million compared to the prior year. The significant change was attributable to a \$1.7 million increase in private bar expenses, a \$2.3 million increase in salaries and benefits, offset by a \$0.3 million decrease in administration expenses.

Private bar

Private bar expenses were \$38.6 million (2013 - \$36.9 million), representing a 5% increase over the prior year.

Table 5 - Private bar expense by certificate case type

	2013-14	2012-13	2011-12	2010-11	2009-10
Criminal adult	\$ 21,853	\$ 20,457	\$ 18,921	\$ 20,156	\$ 22,160
Civil	12,034	11,535	10,834	13,075	13,879
Duty counsel	2,488	2,316	2,182	2,246	2,259
Young offenders	1,865	1,940	1,993	2,173	2,388
Court-ordered counsel	352	319	192	216	334
Provincial	63	81	48	50	86
Other ²	(100)	250	450	(450)	(900)
Total	\$ 38,555	\$ 36,898	\$ 34,620	\$ 37,466	\$ 40,206

Private bar expenditures related to adult criminal matters were \$21.9 million (2013- \$20.5 million); an increase of \$1.4 million, largely due to a \$1.2 million increase in expenditures on certificates identified as high cost cases of \$3.8 million (2013 - \$2.6 million).

Civil certificates include family, immigration and non-family civil matters. Expenditures on civil certificates increased \$0.5 million to \$12 million in 2014 (2013 – \$11.5 million), primarily due to an 11% increase in the value of an interim account compared to the prior year and a 9% increase in the average cost to complete a civil matter.

²Other represents the increase (decrease) in the provision for unbilled services provided on outstanding private bar certificates.

Table 6 - Amounts paid to the private bar for high cost cases

2013-14	2012-13	2011-12	2010-11	2009-10
\$ 3,818	\$ 2,582	\$ 2,029	\$ 1,793	\$ 1,404

LAA monitors the progress of high cost cases (defined as cases with expected cumulative expenditures in excess of \$25 thousand). Consistent with prior years, most high cost cases are criminal adult matters and are principally drug conspiracy, provincial fraud, murder and manslaughter cases.

In order to mitigate these increasing costs, LAA retained an experienced criminal trial lawyer on an annual contract in December 2012 to act as High Cost Case Manager. This individual, reporting to the Senior Director of Certificate Management, assesses counsels' defense strategy and provides recommendations to LAA in an effort to control the amount expended on high cost cases. While growth in the volume and cost of these cases is a concern, we note that as a percent of total private bar expenses, high cost cases represented 10% (2013 – 7%) of private bar expenses. LAA was managing 80 active high cost cases at March 31, 2014.

Table 7 below provides the average cost of certificates completed (closed) in each year, regardless of the year the certificate was issued. The overall weighted average certificate cost has remained relatively consistent at approximately \$1,200 over the past 3 years, although the total private bar expense continues to increase, in large part due to increased cost associated with high cost criminal cases.

Table 7 - Average cost per completed LAA certificate³, by case type (whole dollar amounts)

Case type	2013-14	2012-13	2011-12	2010-11	2009-10
Adult Criminal	\$ 1,026	\$ 1,034	\$ 1,007	\$ 909	\$ 794
Civil	\$ 1,944	\$ 1,788	\$ 1,984	\$ 1,816	\$ 1,359
Young Offenders	\$ 776	\$ 823	\$ 855	\$ 770	\$ 712
Weighted Average	\$ 1,205	\$ 1,203	\$ 1,212	\$ 1,109	\$ 916

Other program expenses

Other program expenses include all non-private bar related expenses of operating LAA programs and services. These expenses totalled \$38.9 million in fiscal 2014 (2013 - \$36.9 million), representing a \$2 million or 6% increase compared to the prior year.

Table 8 - Other program expenses

	2013-14	2012-13	2011-12	2010-11	2009-10
Salaries and benefits	\$ 31,300	\$ 28,957	\$ 27,072	\$ 25,381	\$ 26,769
Administration	5,854	5,914	5,673	6,143	7,486
Amortization	1,788	2,002	2,121	2,234	1,797
Total	\$ 38,942	\$ 36,873	\$ 34,866	\$ 33,758	\$ 36,052

Salary and benefit expenses for fiscal 2014 were \$31.3 million (2013 - \$29 million), an increase of \$2.3 million or 8% compared to the prior year.

Salary increases in 2014 for both unionized and non-unionized staff totaled \$1.1 million. The increase was attributable to 3% cost-ofliving adjustments provided to all LAA staff and to a lesser extent step increases for those staff that are on salary grids. In addition, LAA increased the average number of full-time equivalent (FTE) staff by 8 to 291 (2013 – 283), almost entirely in business units providing direct client services. Additional salary and benefit expenses associated with the increased FTEs were \$0.6 million. In October 2013, LAA implemented a voluntary employee separation program. The program was open to permanent, non-union employees with at least eight years of continuous service as of December 31, 2013. The program closed in November 2013 at which time 14 employees had submitted applications, all of which were accepted. Separation costs under the program of \$1.4 million were expensed in fiscal 2014. We estimate that the program will result in permanent annual salary and benefit savings of \$1.1 million in 2015 and thereafter as only eight of the 14 positions, largely at lower compensation levels as compared to the incumbents, will be filled. Absent this program, the rate of salary and benefit increase compared to 2013 would have been just 3%.

Offsetting these items were a \$0.2 million reduction in severance expenses related to redundancies of \$0.1 million (2013 - \$0.3 million) and \$0.1 million reduction in accrued vacation pay.

In 2014, LAA undertook a review of its compensation program, and management anticipates that this review will be completed during the 2015 fiscal year. Management has concluded that it is appropriate to suspend LAA's variable pay program while the compensation program is under review and accordingly has not recognized variable pay expense in 2014 (2013 - \$0.4 million).

An average of 84 (2013 – 81) of LAA's full-time employees were members of the Alberta Union of Public Employees and accordingly the terms of their employment are governed by a negotiated collective agreement. The three-year collective agreement expiring March 31, 2015 was signed in September 2012, and provided for 3% cost of living adjustments in each of the first two years and a wage negotiation in fiscal 2015.

Administration expenses, excluding amortization were \$5.9 million (2013 - \$5.9 million). LAA recorded a modest increase of \$0.1 million in each of travel, legal disbursements on staff lawyer certificates, and Goods and Services Tax compared to fiscal 2013, offset by reductions of \$0.2 million in purchased services and reductions totalling \$0.1 million across several other expense categories.

Amortization expense of \$1.8 million decreased \$0.2 million from \$2 million in fiscal 2013. Amortization expense is comprised principally of amortization of costs associated with LAA's investments in information technology.

Although presented differently in the Statement of Revenue and Expenses in the annual financial statements, the following provides an explanation of the changes in expense categories common to Client Services and Management and Administration.

The Legal Services Centres (LSC) incurred operating expenses of \$10.8 million (2013 - \$10 million). The \$0.8 million increase was due to an increase in staff from 98 FTEs at March 31, 2013 to 105 FTEs at March 31, 2014 and the effect of salary increases related to cost of living and salary grid increases. In addition, approximately \$0.5 million was expensed in fiscal 2014 for five LSC employees under the voluntary employee separation program.

The Criminal Resolution Office (CRO), operating in 6 locations, and staff Duty Counsel services incurred expenses of \$3.2 million in 2014 (2013 - \$2.8 million). The \$0.4 million increase was due to expansion of CRO services with the addition of three FTEs to a staff complement of 21 FTEs at March 31, 2014 (2013 – 18 FTEs). The effect of cost-of-living increases and salary grid movement also contributed to the increase.

The Family Law Office (FLO), operating in five locations, incurred expenses of \$10 million in 2014 (2013 - \$9.6 million). The \$0.4 million increase in expenses was largely due to the effect of salary increases related to cost-of-living and salary grid movement. In addition, approximately \$0.2 million was expensed in fiscal 2014 for four FLO employees under the voluntary employee separation program.

The Youth Criminal Defense Office (YCDO) incurred expenses of \$4.1 million in 2014 (2013 - \$3.9 million). The \$0.2 million increase was largely due to the effect of the salary increases discussed above for other programs and services, \$0.3 million expensed in fiscal 2014 for two YCDO employees under the voluntary employee separation program and partially offset by savings due to vacancies not filled until the first quarter of fiscal 2014.

Other client services include Certificate Management that administers the lawyer-appointing program, Brydges, Calgary Legal Clinic and Family Settlement Services. Expenses associated with these services were \$2.2 million in fiscal 2014 (2013 - \$2 million). The \$0.2 million increase was largely due to the effect of the salary increase discussed above for other programs and services.

Table 9 - Management and administration expenses

	2013-14	2012-13	2011-12	2010-11	2009-10
Human Resources	\$ 973	\$ 1,062	\$ 875	\$ 805	\$ 825
Finance	1,967	1,874	1,861	1,797	2,292
Information Technology	1,895	1,973	2,110	2,131	2,265
Policy, Stakeholder Relations and Executive Office	2,596	2,228	2,048	2,373	2,216
Sub-total	\$ 7,431	\$ 7,137	\$ 6,894	\$ 7,106	\$ 7,598
As a % of total expenses (excluding amortization)	10%	10%	10%	10%	10%
Amortization ⁴	1,219	1,430	1,479	1,489	1,158
Total	\$ 8,650	\$ 8,567	\$ 8,373	\$ 8,595	\$ 8,756

Management and administration expenses in fiscal 2014 were \$8.7 million (2013 - \$8.6 million), an increase of \$0.1 million compared to the prior year. The increase was due to (1) \$0.3 million for the voluntary employee separation program (Finance - \$0.1 million; Stakeholder Relations - \$0.2 million); (2) \$0.1 million travel expenses incurred for LAA's staff conference held in September 2013; (3) \$0.2 million amortization and; (4) \$0.1 million Goods and Services Tax. The following expense categories decreased compared to the prior year: (1) \$0.2 million in purchased services; (2) \$0.1 million in telephone expense and; (3) \$0.3 million across various other expense categories.

Capital expenditures

LAA spent \$1.2 million in 2014 (2013 - \$0.7 million) on additions to capital assets. Approximately \$0.3 million (2013 - \$0.6 million) of the year's expenditures was for the ongoing development and implementation of LAA's Client Relationship Management (CRM) software that is utilized for the initial intake, management, and documenting service delivery to LAA clients. The CRM development and implementation began in 2010 with efforts in 2014 primarily focused on FLO and CRO applications. Approximately \$0.1 million was for a CRM upgrade that will be completed in fiscal 2015. An additional \$0.6 million was spent for computer hardware including server expansion and desktop replacement. LAA also acquired approximately \$0.1 million (2013 - \$0.1 million) for various leasehold improvements and purchase of furniture and equipment.

Financial outlook

LAA submitted its 2014-15 budget for approval by the Minister in January 2014. The budget approved by the Minister is summarized below.

Table 10 - Comparison of the fiscal 2015 budget to fiscal 2014 actual results

	Budget 2014-15	Actual 2013-14	Change
Revenue	\$ 69,912	\$ 69,259	\$ 653
Expenses:			
Private bar	37,074	38,555	1,481
Other program expenses	38,162	38,942	780
Deficiency	\$ (5,324)	\$ (8,238)	\$ 2,914

LAA budgeted a moderate increase in revenue compared to fiscal 2014, largely due to the \$0.5 million increase in the grant from ALF in accordance with the Second Amended and Restated Governance Agreement.

⁴Total amortization expense for 2014 was \$1.8 million (2013 - \$2 million) of which \$0.6 million (2013 - \$0.6 million) was included with client services expenses. A similar proportion of amortization expense was included in the other years presented above.

Expenses are budgeted at \$75.2 million (Actual 2014 - \$77.5 million) including amortization of \$1.5 million (Actual 2014 - \$1.8 million); accordingly, expenses are budgeted to decrease 3% compared to 2014.

Private bar expenses are budgeted at \$37.1 million (Actual 2014 - \$38.6 million) and reflect a modest (3%) increase in issued certificates. Planned expansion of the CRO will contribute to a reduction in the volume and cost of adult criminal certificates completed by the private bar.

Other program expenses are budgeted to decrease \$0.8 million compared to fiscal 2014. This decrease is due to:

- \$0.8 million decrease in salary and benefit expenses due to: 2% cost-of-living increases for union and non-unionized staff (\$0.6 million) and step increases for those staff on salary grids (\$0.7 million); \$0.2 million in variable pay included in the 2015 budget (Actual 2014 - \$nil); and partially offset by a budgeted increase in the vacancy rate \$0.3 million and other adjustments. These changes are offset by \$1.4 million expensed in fiscal 2014 for the voluntary employee separation program;
- \$0.3 million increase in administration expenses (excluding amortization) attributable to increases of \$0.2 million in purchased services related to branding and compensation review, \$0.1 million in rent due to lease renewals and escalation clauses, \$0.2 million in cost escalation due to inflation and partially offset by budgeted savings across several expense categories; and
- 3. \$0.3 million decrease in amortization expense.

LAA will begin the 2015 fiscal year with a cash position of \$8 million, and based on budgeted capital expenditures of \$0.8 million and the deficiency above (less amortization expense of \$1.5 million) we are anticipating a cash position of \$3.4 million at March 31, 2015. Under the Governance Agreement LAA is required to maintain a contingent reserve of \$2.5 million. LAA requires Ministerial approval to drawdown on the contingent reserve.

Budgeted expenditures for the 2015 fiscal year outpace current funding levels of grants received from the Government of Alberta, ALF and recoveries and contributions from clients. Consequently, we are budgeting a \$4.5 million reduction in cash position during the year. Cash requirements are projected to increase in 2016 and 2017 as program expenses, principally salaries and benefit expenses grow due to projected cost-of-living adjustments, population growth and a continued increase in demand for certificate services provided by the private bar.

To maintain current programs and services, and without utilizing the \$2.5 million contingent reserve, LAA has projected that it will require an increase in funding of approximately \$5 million in fiscal 2016 and \$11.5 million in fiscal 2017.

Additional Funding

In February 2013, the Legal Aid Foundation of Alberta (the Foundation), an entity that is controlled by the Society, was incorporated and subsequently granted charitable status from Canada Revenue Agency in August 2013.

While LAA's board and management are supportive of developing alternative funding initiatives to ensure the sustainability of the legal aid plan in Alberta, any such initiatives must be implemented in conjunction with an agreement with our existing funders that they will continue to bear the proportionate share of the cost of operating the legal aid plan in Alberta.

Risks

The following is a discussion of risks and uncertainties affecting LAA. It is not meant to be an exhaustive list nor will the strategies discussed mitigate all risks and uncertainties.

Provincial funding

As requested by the Minister, and described in the Society's 2013 Annual Report, in July 2013 LAA presented a Business Case to officials at Alberta Justice that quantified LAA's funding shortfall assuming no changes to programs and services and identified the following issues that needed to be addressed to help ensure a sustainable legal aid plan in Alberta:

- a 20% increase in LAA's financial eligibility guidelines 1 (FEGs) to more closely align our FEGs with the Low-Income Cut-Off (LICO); and
- 2. an increase in the base hourly rate paid to private bar lawyers, as there has not been an increase in the \$84 hourly rate since February 2008.

LAA's management and board then and now firmly believe the issues identified in the Business Case need to be addressed in order to ensure the legal aid plan meets the needs of Albertans. No increase in provincial funding has been received by the Society, although discussion of the issues identified in the Business Case is ongoing.

The provincial government approved the Society's budget for fiscal 2015, but has not approved budget proposals provided by the Society for the 2016 and 2017 fiscal years.



Alberta Law Foundation (ALF) funding

The Legal Profession Act of the Province of Alberta governs ALF funding of the Society. Prior to the signing of the two amending agreements to the Governance Agreement that have provided predictable funding since fiscal 2012, the Society enjoyed and then suffered under dramatic swings in funding as illustrated in the graph below.



Significant reductions in funding levels occurred with the downturn in real estate activity in fiscal 2011. The reduction in funding received from ALF in 2011 and the necessity to enter into an Amending Agreement in 2012 was precipitated by a low interest rate environment and reduction in real estate activity in Alberta. As the Second Amending Agreement signed in 2013 is applicable only to ALF funding for the Society's 2015 and 2016 fiscal years, the graph illustrates a return to formula based funding; estimated by the Society at \$3.5 million for fiscal 2017.

Private bar expenditures

In February 2014, the Society introduced Legal Aid Alberta Rules 2014 (the Rules), which replaced the rules in place since April 2004, and board and administrative policies. The Rules and administrative policy governing financial eligibility have restricted the exercise of discretion when a client's allowed income exceeds financial eligibility guidelines. In the months following the introduction, there was an approximate 7% decrease in the volume of issued certificates compared to the prior year. There has also been an increase in the number of court-ordered counsel certificates and Rowbotham applications.

Budgeted private bar expenditures for the coming year were based on assumptions of issued certificate volumes, the average cost of certificates and timing of payments to the private bar. High cost cases can also have a significant impact on the financial resources available to provide services. Expenditures on high cost cases were \$3.8 million in fiscal 2014 (2013 -\$2.6 million) and are budgeted at \$3 million for 2015. It is possible that the actual amounts incurred in 2015 will be materially different from the budgeted amount due to changes in the economic and legal environment in which LAA operates.

Lawyer recruitment and retention

LAA relies heavily on private bar lawyers for the delivery of services through the lawyer appointing (certificate) program. In areas of law such as family practice, it is at times particularly difficult to attract private bar lawyers, which has contributed to the growth at LAA's Family Law Offices over the years. LAA continues to take steps to mitigate this risk by focusing on recruitment, retention and development of private bar lawyers.



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 its 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 statements for the year ended March 31 2014. Its audit was conducted in accordance with Canadian generally accepted auditing standards, and included obtaining sufficient understanding of the Society's internal controls to plan the audit. The Auditors' Report outlines the scope of the audit and the opinion.

Suzanne Polkosnik, QC President and CEO June 3, 2014

J Kyle

John Kyle, CA Vice President, Corporate Services June 3, 2014

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, 2014 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 in our audit 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, 2014, 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, 2014

Ernst + young UP

Chartered Accountants

Statement Of Financial Position

As at March 31 (in thousands of dollars)

	2014	2013
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	—	1,574
Short-term investments [note 3]	5,523	12,534
Accounts receivable	61	199
Prepaid expenses	498	477
Goods and Services Tax rebates receivable	576	328
Total current assets	6,658	15,112
Investments [note 4]	2,521	2,520
Capital assets [note 5]	3,673	4,255
	12,852	21,887
LIABILITIES AND NET ASSETS		
Current		
Outstanding cheques in excess of related bank balances	64	_
Accounts payable and accrued liabilities	2,441	2,954
Government remittances payable	6	6
Accrued vacation pay	1,373	1,428
Current portion of deferred lease inducements	106	193
Provision for unbilled services provided on outstanding certificates [note 6]	3,800	3,900

Total current liabilities	7,790	8,481
Deferred contributions [note 4]	2,500	2,500
Deferred lease inducements	139	245
Total liabilities	10,429	11,226

Commitments and contingencies [notes 6 and 7]

Net assets

2,423
12,852

See accompanying notes

On behalf of the Board:

Har

Derek Cranna Chair

Lance Clark Director

Statement Of Changes In Net Assets

Year ended March 31 (in thousands of dollars)

	2014		
	Internally funded		
	capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of the year	4,255	6,406	10,661
Deficiency of revenue over expenses	_	(8,238)	(8,238)
Purchases of capital assets	1,206	(1,206)	_
Amortization of capital assets	(1,788)	1,788	_
Balance, end of the year	3,673	(1,250)	2,423

		2013		
	Internally funded			
	capital assets	Unrestricted	Total	
	\$	\$	\$	
Balance, beginning of the year	5,509	2,620	8,129	
Excess of revenue over expenses	—	2,532	2,532	
Purchases of capital assets	748	(748)		
Amortization of capital assets	(2,002)	2,002		
Balance, end of the year	4,255	6,406	10,661	

See accompanying notes

Statement Of Revenue And Expenses

Year ended March 31 (in thousands of dollars)

	2014	2013
	\$	\$
REVENUE		
Province of Alberta	58,810	65,810
Alberta Law Foundation grant	5,500	5,500
Recoveries and contributions from clients	4,296	4,474
Interest and other	653	519
Total revenue	69,259	76,303
EXPENSES		
Private bar		
Legal aid fees and disbursements [note 9]		
Criminal adult	21,853	20,457
Civil	12,034	11,535
Duty counsel	2,488	2,316
Young offenders	1,865	1,940
Court-ordered counsel	352	319
Provincial	63	81
	38,655	36,648
Increase (decrease) in provision for unbilled services		
on outstanding certificates [note 6]	(100)	250
	38,555	36,898
Other program expenses [note 8]		
Client Services	30,292	28,306
Management and Administration	8,650	8,567
	38,942	36,873
Total expenses	77,497	73,771
Excess (deficiency) of revenue over expenses	(8,238)	2,532

See accompanying notes

Statement Of Cash Flows

Year ended March 31 (in thousands of dollars)

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Received from the Province of Alberta	58,810	65,810
Received from the Alberta Law Foundation	5,500	5,500
Recoveries and contributions from clients	4,296	4,474
Interest and other income received	659	524
Fees and disbursements paid to private bar	(38,667)	(36,209)
Salaries and benefits paid to employees	(31,538)	(28,843)
Payments to suppliers and service providers	(6,498)	(20,010)
Cash provided by (used in) operating activities	(7,438)	5,316
INVESTING ACTIVITIES		
Purchases of capital assets	(1,206)	(748)
Proceeds on disposal of capital assets	6	(,,
Purchases of short-term investments	(37,250)	(44,500)
Proceeds on disposal of short-term investments	44,250	41,500
Purchases of investments	(2,500)	,
Proceeds on disposal of investments	2,500	_
Cash provided by (used in) investing activities	5,800	(3,748)
Net increase (decrease) in cash during the year	(1,638)	1,568
Cash and cash equivalents, beginning of the year	1,574	6
Cash and cash equivalents, end of the year	(64)	1,574
Represented by:		
Cash and cash equivalents	_	1,574
Outstanding cheques in excess of related bank balances	(64)	·
	(64)	1,574

See accompanying notes

Notes to Financial Statements

March 31, 2014 (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 Solicitor General of the Province of Alberta. The Society provides a broad range of services to enable Albertans to resolve their legal issues in the following areas of law: criminal; family; child welfare; youth criminal; refugee/immigration; and civil. The current governance agreement became effective on April 1, 2011 and expires on March 31, 2016. 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 Standards for not-for-profit organizations, which sets out 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. These 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 fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

2. Significant Accounting Policies [Continued]

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 assets are recorded at acquisition cost. Contributed tangible and intangible capital assets 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

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

	2014	2013
	\$	\$
Term deposits	5,500	12,500
Accrued interest	23	34
	5,523	12,534

Term deposits bear interest at rates ranging from 1.57% to 1.59% [2013 – 1.18% to 1.42%] with maturity dates ranging from April 15, 2014 to September 2, 2014.

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4. Investments

The Province of Alberta requires that a contingent reserve of at least \$2,500 be 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 October 3, 2014 and earns interest at a rate of 1.70%. Interest on the investment is paid annually.

	2014	2013
	\$	\$
Term deposit	2,500	2,500
Accrued interest	21	20
	2,521	2,520

5. Capital Assets

	2014		2013	
_	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Tangible assets				
Furniture	971	509	962	458
Equipment	526	369	472	342
Computer hardware	2,523	1,920	2,140	1,940
Leasehold improvements	5,497	4,936	5,465	4,134
	9,517	7,734	9,039	6,874
Intangible assets				
Computer software	6,825	4,935	6,308	4,218
	16,342	12,669	15,347	11,092
Net book value	3,6	73	4,2	55

Equipment of \$4 [2013 – nil], leasehold improvements of \$12 [2013 – nil] and computer software of \$235 [2013 – nil] 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 unbilled services provided on outstanding certificates by members of the private bar is estimated at year end using a method that incorporates historical median costs and time frames to complete similar cases. At March 31, 2014, the Society had approximately 23,000 [2013 - 26,000] outstanding certificates issued to the private bar with an estimated liability of \$3,800 [2013 - \$3,900].

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, 2014 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, 2014, there is an estimated \$21,700 [2013 - \$25,325] that will be incurred on approximately 25,700 [2013 - 28,700] 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:

	\$
2015	2,926
2016	2,603
2017	1,939
2018	1,392
2019	1,237
Thereafter	119
	10,216

[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:

	2014	2013
	\$	\$
Salaries and benefits	31,300	28,957
Rent	2,600	2,591
Amortization of capital assets	1,788	2,002
Purchased services	660	817
Office and sundry	604	689
Computer operations and maintenance	589	605
Travel and allowances	531	459
Legal disbursements	430	349
Non-rebateable Goods and Services Tax	184	125
Other	256	279
	38,942	36,873

A portion of rent expense has been allocated where office space is shared as follows:

	2014	2013
	\$	\$
Client Services	982	959
Management and Administration	400	391
	1,382	1,350

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 \$218 [2013 - \$193] to the Society and their respective firms provided additional certificate services of approximately \$131 [2013 - \$157].

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 Foundation bylaws, all resources of the Foundation must be provided to the Society or used for the Society's benefit. Under the provisions of the Income Tax Act (Canada), the Foundation is exempt from income taxes.

As of March 31, 2014, the Society has completed activities related to receiving charitable status with Canada Revenue Agency, which was granted on August 23, 2013. There were no fund raising activities or business transactions related to the Foundation for the years ended March 31, 2014 and 2013, and as at March 31, 2014, 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 highly liquid nature of the instruments and the 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.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

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

Peace River 10038 99 Street, T8S 1S2

St. Paul 4902 50 Street, T0A 3A0

Edmonton 300, 10320 102 Avenue, T5J 4A1

Red Deer 200, 4802 51 Avenue, T4N 4H3

Calgary 1800, 639 5 Avenue SW T2P 0M9

Siksika Nation On reserve

Lethbridge 244, 200 4 Avenue, South T1J 4C9

Criminal Resolution Office

Edmonton 300, 10320 102 Avenue, T5J 4A1

Wetaskiwin 5201 50 Avenue, T9A 0S7

Red Deer 200, 4802 51 Avenue, T4N 4H3

Calgary 1800, 639 5 Avenue SW T2P 0M9

Medicine Hat 304, 346 3 Street, T1A 0G6

Lethbridge 244, 200 4 Avenue, South, T1J 4C9

Family Law Office

Edmonton 700, 10310 Jasper Avenue, T5J 2W4

Wetaskiwin 5201 50 Avenue, T9A 0S7

Red Deer 202, 4802 51 Avenue, T4N 4H3

Calgary 4th floor, 665 8 Street SW, T2P 3K7

Lethbridge 244, 200 4 Avenue South, T1J 4C9

Youth Criminal Defence Office

Edmonton 600, 10310 Jasper Avenue, T5J 2W4 Calgary 600, 444 5 Avenue SW, T2P 2T8

www.legalaid.ab.ca

