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**NOVA SCOTIA LEGAL AID COMMISSION  
FINANCIAL STATEMENTS  
MARCH 31, 2009**

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MARCH 31, 2009**

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Nova Scotia

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## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Justice

I have audited the statement of financial position of Nova Scotia Legal Aid Commission as at March 31, 2009, and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA  
Auditor General

Halifax, Nova Scotia  
May 14, 2009

**NOVA SCOTIA LEGAL AID COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2009**



<b>ASSETS</b>			
		<b>2009</b>	<b>2008</b>
<b>Current</b>			
Cash	\$	744,967	\$ 411,407
Marketable securities (note 2(c))		9,124,539	9,000,000
Receivables		249,878	531,350
Prepaid expenses		<u>73,295</u>	<u>65,665</u>
		10,192,679	10,008,422
<b>Due from Department of Finance (note 2(f))</b>		2,990,538	2,669,935
<b>Property and equipment (note 3)</b>		14,939	108,421
<b>Trust Fund - long service awards (note 4)</b>		<u>2,465,925</u>	<u>2,156,940</u>
		<u>\$ 15,664,081</u>	<u>\$ 14,943,718</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Payables and accruals (notes 5 and 6)	\$	5,125,594	\$ 5,103,184
Deferred contribution - special cases (note 7)		<u>595,355</u>	<u>595,355</u>
		5,720,949	5,698,539
<b>Long service awards (note 8)</b>		2,465,925	2,156,940
<b>Employee future benefits (notes 2(f) and 9)</b>		2,990,538	2,669,935
<b>Deferred contributions - property and equipment (note 10)</b>		<u>285,870</u>	<u>355,888</u>
		<u>11,463,282</u>	<u>10,881,302</u>
<b>NET ASSETS</b>			
Unrestricted net assets (page 6)		2,151,230	1,192,633
Net assets invested in capital assets (page 6)		14,239	37,703
Reserve for future case completion (page 6 and note 11)		1,366,668	1,871,059
Reserve for family law project (page 6 and note 11)		<u>668,662</u>	<u>961,021</u>
		<u>4,200,799</u>	<u>4,062,416</u>
		<u>\$ 15,664,081</u>	<u>\$ 14,943,718</u>

Commitment and contingencies (note 13)  
See accompanying notes to the financial statements

**On Behalf of the Board**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**NOVA SCOTIA LEGAL AID COMMISSION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2009**

	2009	2008
<b>Revenue</b>		
Operating grants – Province of Nova Scotia	\$ 22,984,500	\$ 19,728,045
Employee future benefits grant – Province of Nova Scotia	320,603	252,995
Interest	233,259	432,290
Other income	<u>19,731</u>	<u>69,095</u>
	<u>23,558,093</u>	<u>20,482,425</u>
<b>Expenses (page 15)</b>		
Amortization	93,481	173,833
Directors' fees	24,183	22,746
Duty Counsel fees	544,458	464,240
Equipment and maintenance	358,194	281,968
Library	192,454	168,633
Memberships, meetings and conferences	462,407	420,987
Miscellaneous	74,000	74,000
Office disbursements	323,183	335,858
Private solicitors' fees (note 6)	5,139,109	4,186,418
Professional and other fees	47,223	36,154
Salaries and benefits	14,392,621	13,558,284
Supplies and services	1,591,304	1,419,138
Travel	<u>177,093</u>	<u>171,412</u>
	<u>23,419,710</u>	<u>21,313,671</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>\$ 138,383</u>	<u>\$ (831,246)</u>

See accompanying notes to the financial statements

**NOVA SCOTIA LEGAL AID COMMISSION  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2009**

					<b>2009</b>	<b>2008</b>
	Unrestricted Net Assets	Net Assets Invested in Property and Equipment	Reserve for Future Case Completion	Reserve for Family Law Project	<b>Total</b>	<b>Total</b>
Balance, beginning of year	\$ 1,192,633	\$ 37,703	\$ 1,871,059	\$ 961,021	\$ 4,062,416	\$ 4,893,662
Excess (deficiency) of revenue over expenses	138,383	-	-	-	138,383	(831,246)
Amortization, net	23,464	(23,464)	-	-	-	-
Transfer to (from) reserves	<u>796,750</u>	<u>-</u>	<u>(504,391)</u>	<u>(292,359)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 2,151,230</u>	<u>\$ 14,239</u>	<u>\$ 1,366,668</u>	<u>\$ 668,662</u>	<u>\$ 4,200,799</u>	<u>\$ 4,062,416</u>

See accompanying notes to the financial statements

**NOVA SCOTIA LEGAL AID COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2009**



	2009	2008
<b>Operating Activities</b>		
Excess (deficiency) of revenue over expenses	\$ 138,383	\$ (831,246)
Amortization	93,481	173,833
Amortization of deferred contributions – property and equipment	<u>(70,018)</u>	<u>(103,484)</u>
	161,846	(760,897)
 Net change in non-cash working capital balances related to operations (note 12)	 <u>171,714</u>	 <u>312,773</u>
	<u>333,560</u>	<u>(448,124)</u>
<b>Investing Activities</b>		
Purchase of		
Furniture and equipment	-	(2,899)
Computer equipment	<u>-</u>	<u>(1,830)</u>
	<u>-</u>	<u>(4,729)</u>
 <b>Increase (decrease) in cash during year</b>	 333,560	 (452,853)
 <b>Cash, beginning of year</b>	 <u>411,407</u>	 <u>864,260</u>
 <b>Cash, end of year</b>	 <u>\$ 744,967</u>	 <u>\$ 411,407</u>

See accompanying notes to the financial statements

## **1. Authority**

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

## **2. Accounting Policies**

### **(a) Cash**

Cash consists of cash on hand and balances with banks.

### **(b) Amortization**

Property and equipment are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease

### **(c) Marketable Securities**

Marketable securities are classified as held for trading, and stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations and changes in fund balances as unrealized gain (loss) on investments.

Held for trading investments consist of guaranteed investment certificates and are valued at cost, which approximates market value. These guaranteed investment certificates bear interest at 1.0% (2008 – 3.25%) and mature on March 9, 2010.

### **(d) Use of Estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

### **(e) Special Cases**

Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of operations in years where expenses are incurred. No such expenses were incurred during 2009 or 2008.



## 2. Accounting Policies (cont'd)

### (f) Employee Future Benefits

The Commission adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits other than pensions which are accrued over the periods in which the employees render services in return for these benefits. These benefits are for health insurance programs. A liability for employee future benefits of \$2,990,538 (2008 - \$2,669,935) has been included in the financial statements. The liability as at March 31, 2009 and 2008 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's expense incurred for these future employee benefits is \$369,711 (2008 - \$285,916).

### (g) Revenue Recognition

- 1) Operating grants and other revenue are recorded on the accrual basis.
- 2) Contributions from the Province of Nova Scotia for the acquisition of property, plant and equipment and computer upgrades are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each equipment acquired.

### (h) Financial instruments

The Commission classifies its financial instruments into one of the following categories; its accounting policy for each is as follows:

#### Assets held-for-trading

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income in the period during which the change occurs. Transaction costs are expensed when incurred. Cash and investments have been classified as held-for-trading.

#### Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in net income over the expected life of the instrument. Transaction costs are expensed when incurred.

Receivables have been designated as loans and receivables and trade payables as other financial liabilities.

**NOVA SCOTIA LEGAL AID COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2009**

**3. Property and equipment**

	<b>2009</b>		<b>2008</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Leasehold improvements	\$ 106,769	\$ 105,103	\$ 1,666	\$ 2,830
Furniture and fixtures	171,553	160,829	10,724	17,766
Computer equipment	<u>989,115</u>	<u>986,566</u>	<u>2,549</u>	<u>87,825</u>
	<u>\$ 1,267,437</u>	<u>\$ 1,252,498</u>	<u>\$ 14,939</u>	<u>\$ 108,421</u>

**4. Trust Fund - Long Service Awards**

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards, and has established a trust fund to provide for the eventual payment of awards. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations for 2009 and 2008 are as follows:

Discount rate	4.95%
Inflation	2.50%
Salary increase rate	2.50% plus Merit/Seniority
Mortality	none prior to retirement
Retirement Age	35% probability of retiring at earliest opportunity for an unreduced pension but not before age 54 and not sooner than in one year's time; otherwise, retire at earliest age of 60 with two years of service, age 65, or 35 years of service, but not sooner than in one year's time.

	<b>2009</b>	<b>2008</b>
Balance, beginning of year	<u>\$ 2,156,940</u>	<u>\$ 2,050,362</u>
Add: Contribution from operating funds	270,412	231,574
Interest on investments	<u>47,306</u>	<u>80,433</u>
	<u>317,718</u>	<u>312,007</u>
Less: Long service awards paid to retiring employees	108,935	186,913
Due to (from) operating account	(100,242)	18,456
Operating charge	<u>40</u>	<u>60</u>
	<u>8,733</u>	<u>205,429</u>
Balance, end of year	<u>\$ 2,465,925</u>	<u>\$ 2,156,940</u>
Consisting of:		
Cash	\$ 185,496	\$ 169,679
Investments and accrued interest on investments	2,200,560	2,007,634
Contribution due to (from) operating funds	<u>79,869</u>	<u>(20,373)</u>
	<u>\$ 2,465,925</u>	<u>\$ 2,146,940</u>

## **5. Payables and Accruals**

	<b>2009</b>	<b>2008</b>
Supplies and services	\$ 384,335	\$ 244,608
Accrued private solicitors' fees (note 6)	4,460,080	3,685,353
Employee salaries and benefits	<u>281,179</u>	<u>1,173,223</u>
	<u>\$ 5,125,594</u>	<u>\$ 5,103,184</u>

## **6. Measurement Uncertainty**

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2009, a liability of \$4,460,080 (2008 - \$3,685,353) was recorded, of which \$4,010,066 (2008- \$3,299,926) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

## **7. Deferred Contribution - Special Cases**

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia, or added to the liability for other future special cases.

## **8. Long Service Awards**

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

The Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligations respecting long service awards at March 31, 2009, the long service award trust funds of \$2,465,925 (2008- \$2,156,940) are sufficient to fund the liability.

## **9. Accrued employee future benefit obligations**

Nova Scotia Legal Aid Commission provides post-retirement health and dental benefits to its employees. The NSLAC funds seventy percent of the cost of the post-retirement health and dental programs. The NSLAC funds the full cost of the premiums of employees on long term disability.

An actuarial valuation was prepared for the fiscal year ended March 31, 2009. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wages and salary increases, and employee turnover and mortality. The assumptions used reflect the NSLAC's best estimates.

**9. Accrued employee future benefit obligations (continued)**

	2009	2008
Components of Benefit Cost		
Current service cost (employer portion)	\$ 155,200	\$ 133,500
Interest cost	197,967	149,198
Actuarial loss	<u>16,544</u>	<u>3,218</u>
Benefit cost recognized	<u>\$ 369,711</u>	<u>\$ 285,916</u>
Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	\$ 3,168,800	\$ 2,724,822
Current service cost (employer portion)	155,200	133,500
Interest cost	197,967	149,198
Benefits paid	(49,108)	(32,921)
Actuarial loss (gain)	<u>(967,252)</u>	<u>194,201</u>
Accrued benefit obligation at the end of the year	<u>\$ 2,505,607</u>	<u>\$ 3,168,800</u>
Reconciliation of Funded Status to Accrued Benefit Liability		
Fund status at the end of year	\$ (2,505,607)	\$ (3,168,800)
Unamortized past service costs	-	-
Unamortized net actuarial loss (gain)	<u>(484,931)</u>	<u>498,865</u>
Accrued benefit liability	<u>\$ (2,990,538)</u>	<u>\$ (2,669,935)</u>
Weighted-Average Assumptions for Expense		
Discount rate	6.00%	5.25%
Initial medical care trend rate	10.00%	8.00%
Ultimate medical care trend rate	4.00%	4.00%
Year ultimate rate reached	2015	2011
Initial and ultimate dental care trend rate	4%	4%
Weighted-Average Assumptions for Disclosure		
Discount rate	8.50%	6.00%
Initial medical care trend rate	9.00%	10.00%
Ultimate medical care trend rate	4.00%	4.00%
Year ultimate rate reached	2015	2015
Initial and ultimate dental care trend rate	4%	4%

## 10. Deferred Contributions - Property and Equipment

Deferred contributions relates to funding received from the Province of Nova Scotia to offset costs of upgrading the Commission's computer systems. The changes in the deferred contributions balance for the period are as follows:

	2009	2008
Balance, beginning of year	\$ 355,888	\$ 459,372
Less: amounts amortized to revenue	(70,018)	(103,484)
Plus: contributions received	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 285,870</u>	<u>\$ 355,888</u>

## 11. Reserves

### Reserve for Future Case Completion

The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2009.

### Reserve for Family Law Project

In October 2004, the Commission appropriated the total of \$1,000,000 for family law Legal Aid Services to provide additional family law services. In October 2007, the Commission appropriated an additional \$1,000,000 for family law Legal Aid Services.

## 12. Net change in non-cash working capital balances related to operations

	2009	2008
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ 281,472	\$ 33,116
Prepaid expenses	(7,630)	(2,381)
Payables and accruals	22,411	1,672,038
Marketable securities	<u>(124,539)</u>	<u>(1,390,000)</u>
	<u>\$ 171,714</u>	<u>\$ 312,773</u>

### **13. Commitments and Contingencies**

(a) Lease agreements for office space typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office. The Commission also carries leases for office equipment.

Minimum lease payments for the next five fiscal years, not including operating costs and taxes, are as follows:

2010	\$1,038,341
2011	\$ 883,465
2012	\$ 816,016
2013	\$ 720,968
2014	\$ 297,711

(b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of \$69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2010.

### **14. Client Trust Funds**

On March 31, 2009, \$1,570 (2008 - \$4,527) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

### **15. Pensions**

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses in the amount of \$1,026,300 (2008 - \$791,811). The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

### **16. Financial Instruments**

Terms and conditions

The Commission has an authorized, unsecured, line of credit with a limit of \$400,000, bearing interest at RBC prime lending rate, payable monthly.

**NOVA SCOTIA LEGAL AID COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2009**

	<b>Budget 2009</b>	<b>Actual 2009</b>	<b>Actual 2008</b>
Amortization	\$ 220,000	\$ 93,481	\$ 173,833
Directors' fees	26,000	24,183	22,746
Duty Counsel fees	480,000	544,458	464,240
Equipment and maintenance			
Leasehold improvements	70,000	92,249	49,401
Office furniture and equipment	120,000	147,069	105,924
Office machine leasing	85,000	62,320	68,643
Office machine maintenance	75,000	56,556	58,000
	350,000	358,194	281,968
Library	188,000	192,454	168,633
Memberships, meetings and conferences			
Membership and dues	245,000	235,745	234,821
Meetings and conferences	295,000	226,662	186,166
	540,000	462,407	420,987
Miscellaneous			
Grant – Dalhousie Legal Aid	69,000	69,000	69,000
Public information/legal education	5,000	5,000	5,000
	74,000	74,000	74,000
Office disbursements			
Civil and family	120,000	132,193	125,593
Adult criminal	180,000	161,604	167,557
Youth criminal	40,000	29,386	42,708
	340,000	323,183	335,858
Private solicitors' fees			
Civil and family – conflicts	1,700,000	2,365,521	1,889,774
Adult criminal – choice of counsel	200,000	506,328	141,937
Adult criminal – conflicts	2,000,000	2,024,148	1,790,452
Youth criminal – choice of counsel	80,000	41,996	20,767
Youth criminal – conflicts	400,000	201,116	343,488
	4,380,000	5,139,109	4,186,418
Professional and other fees			
Professional fees	35,000	26,950	30,515
Consultant fees	25,000	20,273	5,639
	60,000	47,223	36,154
Salaries and benefits			
Salaries and benefits	13,008,000	14,072,018	13,305,289
Employee future benefits	280,000	320,603	252,995
	13,288,000	14,392,621	13,558,284
Supplies and services			
General cleaning and office expense	100,000	101,469	103,256
Heat, light and water	34,000	28,247	33,974
Printing and stationery	115,000	119,814	106,360
Rent, insurance and taxes	1,034,000	1,117,453	949,323
Telephone and postage	230,000	224,321	226,225
	1,513,000	1,591,304	1,419,138
Travel	180,000	177,093	171,412
	<u>\$ 21,639,000</u>	<u>\$ 23,419,710</u>	<u>\$ 21,313,671</u>