

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Financial Statements

Year Ended December 31, 2018

COPY / COPIES



INDEPENDENT AUDITOR'S REPORT

To the Directors of Justice Centre for Constitutional Freedoms

Opinion

We have audited the financial statements of Justice Centre for Constitutional Freedoms (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)



Independent Auditor's Report to the Directors of Justice Centre for Constitutional Freedoms (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta
[REDACTED]

[REDACTED]
Chartered Accountants

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Financial Position

December 31, 2018

	2018	2017
Assets		
Current		
Cash	\$ 285,209	\$ 629,276
Marketable securities (Note 3)	659,011	-
Goods and services tax recoverable	22,070	14,425
Prepaid expenses	-	594
	<u>966,290</u>	<u>644,295</u>
Property and equipment (Note 4)	<u>-</u>	<u>41</u>
	<u>\$ 966,290</u>	<u>\$ 644,336</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 13,506	\$ 111,743
Employee deductions payable	5,492	-
Deferred revenue (Note 5)	-	63,000
	<u>18,998</u>	<u>174,743</u>
Net assets	<u>947,292</u>	<u>469,593</u>
	<u>\$ 966,290</u>	<u>\$ 644,336</u>

COPY / COPIES

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Revenues and Expenditures

Year Ended December 31, 2018

	2018	2017
Revenue		
Donations	\$ 1,984,120	\$ 1,146,559
██████████ dinner	24,180	-
Court costs awarded	20,316	-
Sale of promotional items	175	785
	<u>2,028,791</u>	<u>1,147,344</u>
Expenses		
Litigation program (Note 7)	763,091	525,501
Advertising, promotion and fundraising	364,675	179,755
Education program (Note 7)	223,746	153,466
Office and administration (Note 7)	118,156	77,608
GST expense	31,177	16,048
Bookkeeping and audit	12,584	9,983
Interest, bank charges and credit card fees	10,888	5,303
Travel and conferences	2,424	1,672
Website maintenance and development	1,449	3,138
Insurance	594	920
Vehicle and parking	219	175
Amortization	41	50
	<u>1,529,044</u>	<u>973,619</u>
Excess of revenue over expenses from operations	<u>499,747</u>	<u>173,725</u>
Other income		
Interest and investment income	10,751	1,957
Loss on sale of marketable securities	(1,426)	-
Unrealized gain (loss) on marketable securities (Note 3)	(31,373)	-
	<u>(22,048)</u>	<u>1,957</u>
Excess of revenue over expenses	<u>\$ 477,699</u>	<u>\$ 175,682</u>

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Changes in Net Assets

Year Ended December 31, 2018

	2018	2017
Net assets - beginning of year	\$ 469,593	\$ 293,911
Excess of revenue over expenses	<u>477,699</u>	<u>175,682</u>
Net assets - end of year	<u>\$ 947,292</u>	<u>\$ 469,593</u>

COPY / COPIE

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
Operating activities		
Excess of revenue over expenses	\$ 477,699	\$ 175,682
Items not affecting cash:		
Amortization of property and equipment	41	50
Loss on disposal of investments	1,426	-
Unrealized gain (loss) on marketable securities	31,373	-
	<u>510,539</u>	<u>175,732</u>
Changes in non-cash working capital:		
Accounts receivable	-	500
Accounts payable and accrued liabilities	(98,238)	78,552
Deferred revenue	(63,000)	63,000
Prepaid expenses	594	70
Goods and services tax payable	(7,645)	14,366
Employee deductions payable	5,492	-
	<u>(162,797)</u>	<u>156,488</u>
Cash flow from operating activities	<u>347,742</u>	<u>332,220</u>
Investing activities		
Purchase of marketable securities	(741,809)	-
Proceeds from sale of marketable securities	50,000	-
Cash flow used by investing activities	<u>(691,809)</u>	<u>-</u>
Increase (decrease) in cash flow	<u>(344,067)</u>	<u>332,220</u>
Cash - beginning of year	<u>629,276</u>	<u>297,056</u>
Cash - end of year	<u>\$ 285,209</u>	<u>\$ 629,276</u>

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Notes to Financial Statements

Year Ended December 31, 2018

1. NATURE OF OPERATIONS

The Justice Centre for Constitutional Freedoms ("JCCF" or the "Organization") was incorporated in October 2010 under the Canada Corporation Act as a not for profit organization. The mission of JCCF is to protect and promote Canada's core principles of freedom and equality through education and litigation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Cash and cash equivalents

Cash includes cash funds held at the entity's bank and any term deposits with a maturity date less than 90 days.

Marketable securities

Marketable securities, which consist primarily of mutual funds, are carried at fair market value.

Revenue recognition

The Justice Centre for Constitutional Freedoms follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue in the year in which it was earned.

All other donations and receipts are recognized as revenue when they are received. Donations received by mail within two weeks following year-end are recorded as revenue in the current year as long as the cheque and envelope are dated in December.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates which include allowance for doubtful accounts, estimated life of capital assets, and some expense accruals are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	55%	declining balance method
--------------------	-----	--------------------------

The Organization regularly reviews its property and equipment to eliminate obsolete items.

(continues)

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed and Volunteer Services

The JCCF benefits from pro bono legal assistance and advice received from more than 20 lawyers across Canada. The fair market value of these legal services is difficult to calculate with accuracy, and these services have not been recorded within these financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include cash and GST receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Marketable securities are measured at fair value.

3. MARKETABLE SECURITIES

Marketable securities represent mutual funds invested with a Canadian financial institution. They are shown on the balance sheet at fair market value. Subsequent to year-end, the unrealized loss on these investments was reversed as the stock markets improved dramatically since December 31.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 1,370	\$ 1,370	\$ -	\$ 41

5. DEFERRED REVENUE

JCCF received a grant in 2017 to fund a video-enhanced content marketing strategy. The purpose of this strategy is to promote the digital and online awareness of the Organization in an effort to increase the donor base. The grant that was classified as deferred revenue in 2017 was recognized as revenue in 2018 to match the expenses related to this grant.

6. ECONOMIC DEPENDENCE

The JCCF's ongoing operations depend entirely on fundraising results.

7. RELATED PARTY TRANSACTIONS

Included in the expenditure categories litigation and education programs and office and administration are \$246,328 (2017 - \$198,109) of expenses paid to [REDACTED] which is owned by John Carpay, President of JCCF.

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Notes to Financial Statements

Year Ended December 31, 2018

8. DONATED OFFICE SPACE

To date, the JCCF has conducted its operations using donated office space. No value of this donated space has been recorded in the records of JCCF.

9. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization is not exposed to significant credit risk as it only records revenues from its activities when received, as the completeness of revenue is uncertain until collected.

Currency Risk

Currency risk is the risk to the Organization's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is not exposed to foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that an organization may incur difficulties meeting its financial obligations as they are due. The Organization's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Organization's reputation.

Market risk

Market risk consists of commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Organization is exposed to changes in commodity prices impacted by world economic events as it impacts its donors' willingness to give. JCCF's marketable securities are subject to market risk as the value of the underlying mutual funds change daily. Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Organization is exposed to interest rate fluctuations on its cash balances as the rate of interest is at a floating rate or at short-term fixed rates.
