

CANADIAN CIVIL LIBERTIES ASSOCIATION

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**



CANADIAN CIVIL LIBERTIES ASSOCIATION
DECEMBER 31, 2016

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Green • Chencinski • Starkman • Eles LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

*To the Members of
Canadian Civil Liberties Association*

We have audited the accompanying consolidated financial statements of Canadian Civil Liberties Association, which comprise the consolidated statement of financial position of the Canadian Civil Liberties Association ("the Organization") as at December 31, 2016, the consolidated statement of operations and changes in net assets, and the consolidated statement of cash flow 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 consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from memberships and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to membership and donation revenues, excess of revenue over expenditures and net assets.

INDEPENDENT AUDITORS' REPORT *(continued)*

Qualified Opinion

In our opinion, except for the matter described in the Basis of Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Civil Liberties Association as at December 31, 2016 and the results of its consolidated operations and its consolidated cash flow for the year ended December 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Green Chencinski Starkman Cles LLP

Toronto, Canada
November 3, 2017

Chartered Professional Accountants
Licensed Public Accountants

CANADIAN CIVIL LIBERTIES ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
	\$	\$
ASSETS		
Current assets		
Cash	261,636	129,394
Short-term investments	1,769,894	1,964,012
Grants receivable (note 2)	44,593	22,110
Prepaid expenses and sundry receivables	121,129	110,294
	<u>2,197,252</u>	<u>2,225,810</u>
Equipment (note 3)	<u>40,303</u>	<u>47,889</u>
	<u>2,237,555</u>	<u>2,273,699</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	67,301	49,331
Deferred grants and contributions (note 4)	142,261	-
	<u>209,562</u>	<u>49,331</u>
Net assets	<u>2,027,993</u>	<u>2,224,368</u>
	<u>2,237,555</u>	<u>2,273,699</u>

(See accompanying notes to financial statements)

On behalf of the Trustees, Canadian Civil Liberties Education Trust

Trustee

On behalf of the Board of Directors, Canadian Civil Liberties Association

Director

CANADIAN CIVIL LIBERTIES ASSOCIATION
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
REVENUE		
CCLA memberships and contributions	94,957	205,105
Donations	853,857	365,622
Grants <i>(note 4 and 6)</i>	483,396	589,318
Unrealized loss on short-term investments	(5,481)	(32,925)
Investment income	42,677	37,996
	1,469,406	1,165,116
EXPENSES		
Amortization	10,485	7,615
Audit and bookkeeping	26,845	20,949
Campaign and fund raising	62,275	35,052
Communications	34,114	36,262
General and office, postage and newsletter	86,186	94,936
Insurance	5,984	4,242
Litigation	9,640	880
Rent and utilities <i>(note 5)</i>	63,892	66,587
Research	8,111	4,485
Salaries and benefits	1,184,857	1,054,022
Travel	173,392	81,886
	1,665,781	1,406,916
DEFICIENCY OF REVENUE OVER EXPENDITURES	(196,375)	(241,800)
NET ASSETS, BEGINNING OF YEAR	2,224,368	2,466,168
NET ASSETS, END OF YEAR	2,027,993	2,224,368

(See accompanying notes to financial statements)

CANADIAN CIVIL LIBERTIES ASSOCIATION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	(196,375)	(241,800)
Adjustment for items not affecting cash:		
Amortization	10,485	7,615
Unrealized loss on short-term investments	5,481	32,925
	<u>15,966</u>	<u>40,540</u>
Changes in non-cash working capital:		
Grants receivable	(22,483)	14,487
Prepaid expenses and sundry receivables	(10,835)	(29,382)
Accounts payable and accrued liabilities	17,970	20,994
Deferred grants and contributions	142,261	(170,608)
	<u>126,913</u>	<u>(164,509)</u>
Cash used in operating activities	<u>(53,496)</u>	<u>(365,769)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquisition of equipment	(2,899)	(42,228)
Short-term investments, net proceeds	188,637	223,754
Cash provided by investing activities	<u>185,738</u>	<u>181,526</u>
NET CHANGE IN CASH	132,242	(184,243)
CASH, BEGINNING OF YEAR	129,394	313,637
CASH, END OF YEAR	261,636	129,394

(See accompanying notes to financial statements)

CANADIAN CIVIL LIBERTIES ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

DESCRIPTION OF ORGANIZATION AND INCOME TAX STATUS

Canadian Civil Liberties Association is a non-profit organization whose objectives are to promote respect for and observance of fundamental human rights and civil liberties and to defend, extend and foster the recognition of these rights and liberties.

Canadian Civil Liberties Education Trust is a charitable organization whose objectives are to conduct research and to educate with respect to fundamental human rights and civil liberties.

The financial statements have been consolidated to include Canadian Civil Liberties Association ("CCLA") and Canadian Civil Liberties Education Trust ("CCLET"). All material inter-organizational transactions and balances between the two organizations are eliminated upon consolidation.

The two organizations are administered by a common staff and share many of the expenditures incurred. The trustees of Canadian Civil Liberties Education Trust are comprised of certain officers of Canadian Civil Liberties Association. CCLA also provides a grant of \$nil (2015 - \$155,600) to assist CCLET in meeting its obligations.

CCLA is exempt from income tax under Section 149(1)(l) of the Income Tax Act. CCLET is a registered charity as defined in the Income Tax Act and exempt from income tax under Section 149(1)(f) of the Income Tax Act.

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method for 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 estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. CCLA memberships are recorded as revenue in the year of receipt.

Investment income is recognized as revenue when earned.

Short-term investments

Short-term investments consist of investments in guaranteed investment certificates, money market funds and other fixed income securities. The Organization may liquidate these investments at any time to fund special projects and operations. These investments are carried at fair value, which is the quoted market price at year-end.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of financial instruments

In addition to its short-term investments, the Organization holds financial instruments comprised of cash, grants receivable, sundry receivables, accounts payable and accrued liabilities and deferred grants and contributions. Financial instruments are initially recorded at their fair value and subsequently measured at amortized cost.

When there is an indication of impairment or such an impairment is determined to have occurred, the carrying amount of financial assets is reduced by the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of that asset. If the circumstances that led to the Organization recording an impairment improve and management determines that all or a portion of the impairment can be recovered, the impairment is reversed up to the amount that the financial asset would have otherwise been recorded at on the reversal date.

Equipment and amortization

Equipment is initially recorded at cost and is amortized over its estimated useful life using the following rates and basis:

Equipment	- 20% declining balance
Computer equipment	- 30% declining balance
Computer software	- 50% declining balance

Long-lived assets

Long-lived assets, such as equipment, are recorded at cost less accumulated amortization. If circumstances indicate that the carrying value may not be recoverable, recoverability is tested by comparing the sum of estimated future cash flows from operations and expected residual value with the carrying value. If the sum is less than the carrying value of a particular asset, the asset is written down to its fair value and an impairment loss is recognized. As at December 31, 2016, there were no known circumstances that would indicate that the carrying value of the assets may not be recoverable.

Rent expense

The Organization recognizes rent expense on a straight-line basis over the term of the lease. To the extent that the Organization has received a free rent period, the benefit of the free rent period is included in accounts payable and accrued liabilities and is reflected as a reduction in the rent otherwise paid in subsequent periods.

CANADIAN CIVIL LIBERTIES ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteer services

The Organization benefits substantially from services in the form of volunteer time. The value of these services is not recorded in the financial statements.

Allocation of expenses

The CCLET and the CCLA are administered by a common staff and share many of the operating expenditures. Accordingly, common operating expenditures are allocated proportionately based upon estimated time spent by staff on behalf of CCLET and CCLA and this basis is applied consistently each year. Expenditures that pertain specifically to CCLET or CCLA are recorded in the respective organization. The allocation proportions are disclosed in note 7.

Use of estimates

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 amounts reported in the financial statements and accompanying notes. Significant judgment is required in determining the allocation of expenses between CCLA and CCLET. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

2 GRANTS RECEIVABLE

	2016	2015
	\$	\$
Grants receivable	44,593	22,110
Less: allowance for doubtful accounts	-	-
	<u>44,593</u>	<u>22,110</u>

3 EQUIPMENT

	Cost	Accumulated Amortization	2016 Net	2015 Net
	\$	\$	\$	\$
Equipment	55,650	20,486	35,164	43,955
Computer equipment	51,055	46,115	4,940	3,536
Computer software	8,500	8,301	199	398
	<u>115,205</u>	<u>74,902</u>	<u>40,303</u>	<u>47,889</u>

CANADIAN CIVIL LIBERTIES ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

4 DEFERRED GRANTS AND CONTRIBUTIONS

	2016	2015
	\$	\$
Deferred grants and contributions, beginning of year	-	170,608
Grants and contributions received during the year	<u>625,657</u>	<u>418,710</u>
Grants and contributions earned during the year	<u>625,657</u>	<u>589,318</u>
Deferred grants and contributions, end of year	<u>142,261</u>	-

5 OPERATING LEASE COMMITMENT

CCLET terminated the lease for its premises on July 24, 2015 with no penalties except to forfeit all rights to the security deposit.

CCLET entered into a new lease on June 24, 2015 for the period from December 1, 2015 to November 30, 2021 in respect of a new premise. The minimum annual rent is as follows:

Year ended December 31,	\$
2017	96,802
2018	109,615
2019	113,031
2020	116,163
2021	<u>106,483</u>
	<u>542,094</u>

In exchange for certain services performed by CCLA and CCLET staff members, two organizations have agreed to pay 67.5% of the rent and utilities during the term of the lease. The amount recovered for minimum annual rent and common area maintenance fees in the current year of \$130,299 (2015 - \$56,233) has been reflected as a reduction of rent expense.

6 GRANTS

During the year, CCLET was approved for a one year grant of \$221,100 (2015 - \$221,100) from the Law Foundation of Ontario for the ongoing education program. The Organization is required to submit bi-annual project progress reports to the Law Foundation of Ontario to continue eligibility for the grant. Included in grants receivables is \$22,110 (2015 - \$22,110) that was received from The Law Foundation of Ontario subsequent to the year-end as the final payment of the above grant.

7 ALLOCATION OF EXPENSES

CCLET and CCLA are administered by a common staff and share many of the same expenses. Accordingly, expenses are allocated based upon approximate time that staff spent for each part of the total entity, as follows:

CCLET - approximately 70% (2015 - 70%)

CCLA - approximately 30% (2015 - 30%)

8 FINANCIAL INSTRUMENTS

The use of all operating surpluses is subject to approval by the Board of Directors. Although the Organization is without a formal policy, cash on hand in excess of current operating requirements is invested in low-risk, cashable, fixed income bearing investments with terms typically of one year or less. During the year, the Organization invested surplus funds in money market funds, guaranteed investment certificates and other fixed income securities.

Credit risk

The Organization is exposed to credit risk with respect to its ability to collect accounts receivable from its grantors, donors and members. The majority of the grants receivable is comprised of the grant payments from Law Foundation of Ontario as discussed in note 6. There is little credit risk, if any, associated with the balance and all the payments were received subsequent to year-end.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not exposed to currency risk as all financial instruments are denominated in Canadian currency. The company's exposure to interest rate risk arises from short-term investments which bear interest at variable rates. The risk exposure to the organization is limited as it does not rely on investment income to fund its operations. The Organization monitors interest rates to determine whether there are indicators that long-term interest rates could change and impact operations. The Organization does not otherwise manage interest rate risk. The Organization is exposed to other price risk related to its short-term investments. Other price risk is the risk that the fair value or cash flows related to short-term investments will fluctuate because of changes in the market prices due to factors other than those arising from interest rate risk.

Liquidity risk

Liquidity risk relates to the Organization's ability to meet its obligations as they come due. The Organization has sufficient cash and an investment portfolio which could be readily converted to cash to meet its current obligations.

CANADIAN CIVIL LIBERTIES ASSOCIATION
SCHEDULE OF FINANCIAL POSITION, INDIVIDUAL ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	CCLA 2016 \$	CCLET 2016 \$	Consolidated 2016 \$
ASSETS			
Current assets			
Cash	176,043	85,593	261,636
Short-term investments	253,579	1,516,315	1,769,894
Grants receivable (note 2)	22,483	22,110	44,593
Prepaid expenses and sundry receivables	15,544	105,585	121,129
Due to/from related party	(70,454)	70,454	-
	397,195	1,800,057	2,197,252
Equipment (note 3)	12,193	28,110	40,303
	409,388	1,828,167	2,237,555
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	38,536	28,765	67,301
Deferred grants and contributions (note 4)	122,611	19,650	142,261
	161,147	48,415	209,562
Net assets	248,241	1,779,752	2,027,993
	409,388	1,828,167	2,237,555

(See accompanying notes to financial statements)

CANADIAN CIVIL LIBERTIES ASSOCIATION
SCHEDULE OF OPERATIONS AND CHANGES IN NET ASSETS, INDIVIDUAL ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	CCLA 2016 \$	CCLET 2016 \$	Consolidated 2016 \$
REVENUE			
CCLA memberships and contributions	94,957	-	94,957
Donations	192,144	661,713	853,857
Grants <i>(note 4 and 6)</i>	238,196	245,200	483,396
Unrealized loss on short-term investments	(572)	(4,909)	(5,481)
Investment income	2,552	40,125	42,677
	<u>527,277</u>	<u>942,129</u>	<u>1,469,406</u>
EXPENSES			
Amortization	3,189	7,296	10,485
Audit and bookkeeping	14,345	12,500	26,845
Campaign and fund raising	19,491	42,784	62,275
Communications	10,678	23,436	34,114
General and office, postage and newsletter	26,977	59,209	86,186
Insurance	1,873	4,111	5,984
Litigation	9,640	-	9,640
Rent and utilities <i>(note 5)</i>	19,998	43,894	63,892
Research	2,539	5,572	8,111
Salaries and benefits	370,860	813,997	1,184,857
Travel	157,717	15,675	173,392
	<u>637,307</u>	<u>1,028,474</u>	<u>1,665,781</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(110,030)	(86,345)	(196,375)
NET ASSETS, BEGINNING OF YEAR	358,271	1,866,097	2,224,368
NET ASSETS, END OF YEAR	248,241	1,779,752	2,027,993

(See accompanying notes to financial statements)