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**FINANCIAL STATEMENTS**

**BRITISH COLUMBIA CIVIL  
LIBERTIES ASSOCIATION**

**December 31, 2010 and 2009**

***TWM* TOMPKINS, WOZNY, MILLER & Co.**  
Chartered Accountants

A partnership of incorporated professionals

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## INDEPENDENT AUDITORS' REPORT

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To the Members  
British Columbia Civil Liberties Association

### Report on the Financial Statements

We have audited the accompanying financial statements of the British Columbia Civil Liberties Association, which comprise the statement of financial position as at December 31, 2010, and the statements of changes in net assets, operations 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 generally accepted accounting principles, 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 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 audit opinion.

#### *Basis for Qualified Opinion*

In common with many charitable organizations, the Association 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 Association and we were not able to determine whether any adjustments might be necessary to memberships and donations, excess of revenue (expenses), assets and net assets.

#### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the British Columbia Civil Liberties Association as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

#### *Report on Other Legal and Regulatory Requirements*

As required by the British Columbia Society Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

*Tompkins, Wozny, Miller & Co.*

March 14, 2011  
Vancouver, Canada

Chartered Accountants

## STATEMENT OF FINANCIAL POSITION

As at December 31

|   | 2010           |                 |                | 2009           |                |
|---|----------------|-----------------|----------------|----------------|----------------|
|   | General        | Stabilization   | Trust          | Total          | Total          |
|   | Fund           | Fund            | Fund           |                |                |
|   | \$             | \$              | \$             | \$             | \$             |
| <b>ASSETS</b>   |                |                 |                |                |                |
| <b>Current</b>  |                |                 |                |                |                |
| Cash  | 38,298         | 637             | 5,459          | 44,394         | 186,099        |
| Restricted cash - gaming account  | 287            | —               | —              | 287            | 50,046         |
| HST, interest & other receivables                                       | 37,041         | 9               | 1,423          | 38,473         | 4,175          |
| Interfund balances  | 86,533         | (83,447)        | (3,086)        | —              | —              |
| Prepaid expenses  | 21,819         | —               | —              | 21,819         | 19,993         |
| <b>Total current assets</b>   | <b>183,978</b> | <b>(82,801)</b> | <b>3,796</b>   | <b>104,973</b> | <b>260,313</b> |
| Investments, at market value <i>[Note 4]</i>                            |                |                 |                |                |                |
| – administered by the Association<br>(cost \$79,814 [2009 - \$172,902]) | —              | 80,972          | —              | 80,972         | 165,786        |
| – subject to trust agreement<br>(cost \$486,447 [2009 - \$360,823])     | —              | —               | 533,626        | 533,626        | 362,799        |
| Capital assets <i>[note 5]</i>  | 12,613         | —               | —              | 12,613         | 23,080         |
|   | <b>196,591</b> | <b>(1,829)</b>  | <b>537,422</b> | <b>732,184</b> | <b>811,978</b> |
| Endowment fund <i>[note 6]</i>  |                |                 |                |                |                |
| <b>LIABILITIES AND NET ASSETS</b>                                       |                |                 |                |                |                |
| <b>Current liabilities</b>  |                |                 |                |                |                |
| Accounts payable and accrued liabilities                                | 50,793         | —               | —              | 50,793         | 31,393         |
| Deferred contributions <i>[note 7]</i>                                  | 1,521          | —               | —              | 1,521          | 129,659        |
| Due to endowment fund   | 3,716          | —               | —              | 3,716          | 3,332          |
| Deferred capital contributions <i>[note 8]</i>                          | 11,986         | —               | —              | 11,986         | 21,638         |
| <b>Total liabilities</b>  | <b>68,016</b>  | <b>—</b>        | <b>—</b>       | <b>68,016</b>  | <b>186,022</b> |
| <b>Net assets</b>   |                |                 |                |                |                |
| Invested in capital assets  | 627            | —               | —              | 627            | 1,442          |
| Internally restricted   | —              | (1,829)         | 537,422        | 535,593        | 453,180        |
| Unrestricted  | 127,948        | —               | —              | 127,948        | 171,334        |
| <b>Total net assets</b>   | <b>128,575</b> | <b>(1,829)</b>  | <b>537,422</b> | <b>664,168</b> | <b>625,956</b> |
|   | <b>196,591</b> | <b>(1,829)</b>  | <b>537,422</b> | <b>732,184</b> | <b>811,978</b> |
| Contingent liability <i>[note 12]</i>                                   |                |                 |                |                |                |
| Commitment <i>[note 13]</i>   |                |                 |                |                |                |

See accompanying notes

Approved by:

Treasurer

Director

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended December 31

|  | 2010            |                       |                | 2009           |                |
|--|-----------------|-----------------------|----------------|----------------|----------------|
|  | General<br>Fund | Stabilization<br>Fund | Trust<br>Fund  | Total          | Total          |
|  | \$              | \$                    | \$             | \$             | \$             |
| <b>REVENUE</b>   |                 |                       |                |                |                |
| Membership & donations                                 | 230,465         | —                     | —              | 230,465        | 202,608        |
| Bequests   | —               | —                     | —              | —              | 120,000        |
| Law Foundation of B.C. – operating grant               | 313,600         | —                     | —              | 313,600        | 313,600        |
| Specified grants earned <i>[note 7]</i>                | 176,929         | —                     | —              | 176,929        | 99,669         |
| Gaming revenue earned <i>[note 7]</i>                  | 49,849          | —                     | —              | 49,849         | 47,759         |
| Investment income                                      | 548             | 4,787                 | 14,316         | 19,651         | 18,865         |
| Realized gains (losses) on sales of investments (net)  | —               | 1,082                 | 10,232         | 11,314         | (510)          |
| Adjustment of investments to market value              | —               | 8,274                 | 45,203         | 53,477         | 72,180         |
| Endowment distributions <i>[note 6]</i>                | 4,137           | —                     | —              | 4,137          | 2,728          |
| Court awarded costs <i>[note 9]</i>                    | 28,033          | —                     | —              | 28,033         | —              |
| CLE registrations                                      | 8,300           | —                     | —              | 8,300          | —              |
| Miscellaneous and special events                       | 4,375           | —                     | —              | 4,375          | 2,761          |
| Amortization - deferred capital grants <i>[note 8]</i> | 9,652           | —                     | —              | 9,652          | 9,888          |
|  | <b>825,888</b>  | <b>14,143</b>         | <b>69,751</b>  | <b>909,782</b> | <b>889,548</b> |
| <b>EXPENSES</b>  |                 |                       |                |                |                |
| Salaries & benefits                                    | 604,570         | —                     | —              | 604,570        | 494,603        |
| Contracting - publications                             | 24,439          | —                     | —              | 24,439         | 42,854         |
| Rent & utilities                                       | 47,442          | —                     | —              | 47,442         | 44,061         |
| Office operating                                       | 58,198          | —                     | —              | 58,198         | 45,633         |
| Accounting and audit                                   | 18,342          | 594                   | 887            | 19,823         | 21,983         |
| Insurance  | 1,272           | —                     | —              | 1,272          | 1,225          |
| Bank charges   | 3,443           | —                     | —              | 3,443          | 3,509          |
| Fundraising  | 15,603          | —                     | —              | 15,603         | 19,271         |
| Litigation costs                                       | 23,449          | —                     | —              | 23,449         | 16,932         |
| Newsletter   | 16,288          | —                     | —              | 16,288         | 11,159         |
| Meetings, publications, events <i>[note 10]</i>        | 23,449          | —                     | —              | 23,449         | 9,087          |
| Travel and accommodation                               | 23,127          | —                     | —              | 23,127         | 4,211          |
| Amortization   | 10,467          | —                     | —              | 10,467         | 11,429         |
|  | <b>870,089</b>  | <b>594</b>            | <b>887</b>     | <b>871,570</b> | <b>725,957</b> |
| <b>Excess of revenue (expenses) for the year</b>       | <b>(44,201)</b> | <b>13,549</b>         | <b>68,864</b>  | <b>38,212</b>  | <b>163,591</b> |
| Fund balances, beginning of year                       | 172,776         | 89,185                | 363,995        | 625,956        | 462,365        |
| Interfund transfers                                    | —               | (104,563)             | 104,563        | —              | —              |
| <b>Fund balances, end of year</b>                      | <b>128,575</b>  | <b>(1,829)</b>        | <b>537,422</b> | <b>664,168</b> | <b>625,956</b> |

*See accompanying notes*

## STATEMENT OF CASH FLOWS

As at December 31

|  | 2010             |                |                 | 2009             |                 |
|--|------------------|----------------|-----------------|------------------|-----------------|
|  | General          | Stabilization  | Trust           | Total            | Total           |
|  | Fund             | Fund           | Fund            |                  |                 |
|  | \$               | \$             | \$              | \$               | \$              |
| <b>OPERATING ACTIVITIES</b>                            |                  |                |                 |                  |                 |
| Contributions received                                 | 231,653          | —              | —               | 231,653          | 321,588         |
| Grants received:                                       |                  |                |                 |                  |                 |
| Law Foundation of B.C.                                 | 313,600          | —              | —               | 313,600          | 313,932         |
| Other  | 98,550           | —              | —               | 98,550           | 148,552         |
| Gaming proceeds received                               | 90               | —              | —               | 90               | 50,084          |
| Publication, special events and other                  | 12,675           | —              | —               | 12,675           | 2,761           |
| Income received on investments                         | 548              | 4,787          | 14,316          | 19,651           | 18,865          |
| Endowment income received                              | 4,137            | —              | —               | 4,137            | 2,728           |
| Cash paid for salaries and benefits                    | (606,135)        | —              | —               | (606,135)        | (503,786)       |
| Cash paid for materials and services                   | (242,710)        | (594)          | (887)           | (244,191)        | (213,103)       |
| <b>Cash provided by operating activities</b>           | <b>(187,592)</b> | <b>4,193</b>   | <b>13,429</b>   | <b>(169,970)</b> | <b>141,621</b>  |
| <b>FINANCING AND INVESTING ACTIVITIES</b>              |                  |                |                 |                  |                 |
| Contributions for endowment fund (net)                 | 384              | —              | —               | 384              | 332             |
| Paid/received on behalf of other funds                 | (4,934)          | 4,047          | 887             | —                | —               |
| Purchase and sale of investments (net)                 | —                | (10,305)       | (11,573)        | (21,878)         | (34,143)        |
| Cash paid for capital acquisitions                     | —                | —              | —               | —                | (2,636)         |
| <b>Cash used in financing and investing activities</b> | <b>(4,550)</b>   | <b>(6,258)</b> | <b>(10,686)</b> | <b>(21,494)</b>  | <b>(36,447)</b> |
| <b>Increase (decrease) in cash</b>                     | <b>(192,142)</b> | <b>(2,065)</b> | <b>2,743</b>    | <b>(191,464)</b> | <b>105,174</b>  |
| Cash, beginning of year                                | 230,727          | 2,702          | 2,716           | 236,145          | 130,971         |
| <b>Cash, end of year</b>                               | <b>38,585</b>    | <b>637</b>     | <b>5,459</b>    | <b>44,681</b>    | <b>236,145</b>  |
| <b>Cash consists of:</b>                               |                  |                |                 |                  |                 |
| Cash   | 38,298           | 637            | 5,459           | 44,394           | 186,099         |
| Restricted cash - gaming                               | 287              | —              | —               | 287              | 50,046          |
|  | <b>38,585</b>    | <b>637</b>     | <b>5,459</b>    | <b>44,681</b>    | <b>236,145</b>  |

*See accompanying notes*

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2010

### 1. PURPOSE OF THE ORGANIZATION

The British Columbia Civil Liberties Association (the "Association") is a provincial organization operating programs and providing services to promote, defend, sustain and extend civil liberties and human rights. The Association is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Canadian Income Tax Act. The Association is exempt from corporate income taxes.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Association prepares its financial statements in accordance with Canadian generally accepted accounting principles. The Association expects to adopt Canadian accounting standards for not-for-profit organizations ("ASNPO") which were released by the Canadian Institute of Chartered Accountants ("CICA") in December, 2010. These accounting standards are contained in Part III of the CICA Handbook. Where specific standards are not provided in Part III of the Handbook, the accounting standards for private enterprises ("ASPE") contained in Part II of the CICA Handbook, will be utilized. The adoption of ASNPO and ASPE is not expected to have a significant impact on the financial statements of the Association.

#### Revenue Recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions, gaming funds and grants are recognized as revenue in the year in which 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.

Other revenue is recognized when services are performed, publications are sold, or an event has taken place and there is a reasonable expectation of collection.

Membership and donation revenue is recognized when received.

#### Fund Accounting

- *General Fund*

Revenues and expenses related to program and service delivery, administrative activities, special projects, legal services and capital assets are reported in the General Fund.

NOTES TO FINANCIAL STATEMENTS

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December 31, 2010

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

▪ *Stabilization Fund*

The Stabilization Fund was established on December 31, 2001 and originally represented the accrued interest and earnings on bequests and gifts of endowment contributions to that date. The Stabilization Fund may be used in any manner decided by the Board of Directors to assist the Association in accomplishing its purposes. The fund may be used for important special projects that the Association would not otherwise be able to undertake or to cover an operating deficit in a fiscal year. The Stabilization Fund will normally receive the income earned on its segregated investments, and from endowments, unless designated otherwise by the board.

▪ *Trust Fund*

In 2004, the Association established an irrevocable trust to hold a portion of the assets of the Stabilization Fund. The trust is administered by a trustee who cannot be an employee or director of the Association. The trustee has sole discretion over distributions of income or capital from the trust.

**Capital Assets**

Capital assets are recorded in the General Fund at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over six years for furniture and equipment and three years for computers. Amortization expense is reported in the General Fund.

**Investments**

Investments are recorded at market value and classified as held for trading. The Association records all investments based on the value at the settlement date.

**Contributed Services**

Volunteers contribute a significant amount of hours and services per year to assist the Association in carrying out its program and service delivery and administrative activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**Statement of Cash Flows**

The statement of cash flows is prepared on a net cash basis and cash flows from operating activities are presented using the direct method.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 the estimates.

3. FINANCIAL INSTRUMENTS

The Association has adopted the recommendations of Section 3855 and 3861 of the Canadian Institute of Chartered Accountants (CICA) Handbook dealing with financial instruments. The Association's financial instruments consist of cash, accounts receivable, investments and accounts payable.

The Association has elected to value its financial instruments at fair value on a held for trading basis, which requires that any change in fair value be brought in to income or expense as it occurs. The Association's investments are the only financial instrument with a significant difference between cost and fair value.

In the opinion of management, the Association is subject to market risk on its investments, credit risk on its bank deposits, accounts receivable and fixed income investments, and interest-rate risk on its fixed income securities, but is not otherwise subject to significant liquidity risk, foreign exchange risk or concentrations of credit risk on its financial instruments.

4. INVESTMENTS, AT MARKET VALUE

The Association's investments fall into the following major categories:

|                      | 2010               |            | 2009               |            |
|----------------------|--------------------|------------|--------------------|------------|
|                      | Stabilization Fund | Trust Fund | Stabilization Fund | Trust Fund |
|                      | \$                 | \$         | \$                 | \$         |
| Government bonds     | —                  | —          | —                  | 25,098     |
| Corporate bonds      | —                  | 148,057    | 30,711             | 41,164     |
| Canadian equities    | 65,328             | 305,069    | 93,008             | 263,430    |
| Canadian trust units | —                  | 9,536      | 7,420              | 9,726      |
| Pooled equity funds  | 15,644             | 45,799     | 14,866             | 23,381     |
| Money market funds   | —                  | 25,165     | 19,781             | —          |
|                      | 80,972             | 533,626    | 165,786            | 362,799    |



NOTES TO FINANCIAL STATEMENTS

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December 31, 2010

**4. INVESTMENTS , AT MARKET VALUE (CONT'D)**

The average yield to maturity, based on the cost of the investments, on the government and corporate bonds approximated 3.9% at December 31, 2010 (2009 - 4.41%). Investment income earned (dividends and interest), realized gains and losses on sales of investments, and changes in the market values of the Association's investments are shown on the Statement of Operations and Fund Balances.

**5. CAPITAL ASSETS**

|   | 2010          | 2009          |
|---|---------------|---------------|
|   | \$            | \$            |
| Furniture, equipment and computers, at cost | 53,848        | 53,848        |
| Less: accumulated amortization              | 41,235        | 30,768        |
| <b>Net book value</b>                       | <b>12,613</b> | <b>23,080</b> |

**6. ENDOWMENT FUND**

The Association established an endowment fund in 1986 to provide a permanent source of revenue to fund work to protect civil liberties in British Columbia. The endowment fund is held by the Vancouver Foundation and its market value at December 31, 2010 and 2009 is not reflected on these financial statements.

The endowment fund had a market value of \$98,502 at December 31, 2010 [2009 - \$96,387]. During the year the Association received endowment fund distributions of \$4,138 [2009 - \$1,438].

The distributions from the endowment fund were reported as revenue of the General Fund. In 2009, endowment income included a grant of \$1,289 from the Vancouver Foundation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted funding received in the current or prior years that will be earned in a subsequent year. Changes in deferred contributions are as follows:

|  | 2009     |          |         | 2010     |
|--|----------|----------|---------|----------|
|  | Deferred | Received | Earned  | Deferred |
|  | \$       | \$       | \$      | \$       |
| HRDC - summer students                           | —        | 10,050   | 10,050  | —        |
| Law Foundation of B.C. - grants                  |          |          |         |          |
| - 1267 Committee                                 | —        | 20,000   | 20,000  | —        |
| - Arrest handbook                                | —        | 15,000   | 15,000  | —        |
| - Articling Student                              | 17,208   | 30,000   | 47,208  | —        |
| - Continuing Legal Education                     | —        | 7,500    | 7,500   | —        |
| - Death in Custody Publication/Workshops         | 46,942   | —        | 45,708  | 1,234    |
| - Legal Observer                                 | —        | 16,000   | 16,000  | —        |
| Notary Foundation of B.C. - Rights Talk handbook | 1,040    | —        | 1,040   | —        |
| Rotary Club - Citizenship handbook reprint       | 2,811    | —        | 2,811   | —        |
| UBC Legal - student                              | 11,612   | —        | 11,612  | —        |
|  | 79,613   | 98,550   | 176,929 | 1,234    |
| Province of B.C. - Direct access gaming          | 50,046   | 90       | 49,849  | 287      |
|  | 129,659  | 98,640   | 226,778 | 1,521    |

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of capital assets acquired with restricted contributions.

|   | 2010    | 2009    |
|---|---------|---------|
|   | \$      | \$      |
| Balance, beginning of year                      | 21,638  | 28,890  |
| Law Foundation grant expended on capital assets | —       | 2,636   |
| Amounts recognized as revenue in the year       | (9,652) | (9,888) |
| Balance, end of year                            | 11,986  | 21,638  |

9. COURT AWARDED COSTS

In 2010, the Association earned revenue of \$28,033 [2009 - \$Nil] as a result of its participation in the Frank Paul inquiry. The government of British Columbia agreed to provide funding to cover BCCLA's litigation expenses related to the Frank Paul inquiry.

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2010

### 10. MEETINGS, PUBLICATIONS, EVENTS

In 2010, publication costs includes publication costs relating to the Arrest Handbook, Racial Profiling, Police-Involved Deaths, and the Citizenship Handbook at a cost of \$14,326. In 2009, publication costs included all costs relating to The Death in Custody publication, Arrest Handbook, Privacy Provision Handbook and Racial Profiling publication at a cost of \$45,103.

### 11. CAPITAL DISCLOSURES

The Association defines its capital as its net assets including funds internally restricted for its stabilization and trust funds, and its deferred contributions, as described in Note 6. The Association manages its capital with the goal of safeguarding and earning a reasonable return on its capital and to make funds available to meet its purposes as described in Note 1. The Association accomplishes this, in part, by depositing its cash with Canadian chartered financial institutions, investing primarily in Canadian bonds, debentures, equities, mutual funds and trust units, and by preparing and monitoring an annual revenue and expenditure budget.

The Association's capital management policies did not change significantly during the year. There are no external restrictions on the Association's capital, except those relating to its deferred contributions which must be expended in accordance with the terms of the related grant agreements.

### 12. CONTINGENT LIABILITY

The Association involves itself in selected court actions involving civil liberties. In many cases there is a possibility that the courts order the Association to pay costs. There are no outstanding orders to pay costs and the amount that may become a liability of the Association cannot be determined.

### 13. COMMITMENT

The Association entered into a lease agreement for office premises expiring in November, 2014. Annual lease payments of \$17,725 plus operating costs are required in each of the next four years.