FINANCIAL STATEMENTS

BRITISH COLUMBIA CIVIL LIBERTIES ASSOCIATION

December 31, 2016



INDEPENDENT AUDITOR'S REPORT

To the Members of British Columbia Civil Liberties Association

Report on the Financial Statements

We have audited the accompanying financial statements of British Columbia Civil Liberties Association, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in fund balances 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.

Auditor's 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 Association'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 Association'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 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 audit of these revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to memberships and donations, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015, and net assets as at January 1 and December 31 for both 2016 and 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

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

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies 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.

Tomphus Wozny, Meller 7 6.

Vancouver, Canada

April 3, 2017

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2016			2015	
	General Fund \$	Stabilization Fund \$	Trust Fund \$	Total \$	Total
ASSETS					
Current				,	
Cash	145,224	2,365	20,578	168,167	147.014
Restricted cash - gaming account	227	2,505	20,578	227	147,814
Accounts receivable [note 3]	11,659			11,659	11 212
Prepaid expenses	25,840	<u>12</u>		25,840	11,212
Interfund balances	91,094	(35,489)	(55,605)	23,040	21,051
Total current assets	274,044	(33,124)	(35,027)	205,893	180,086
Investments, at market value [note 4]		(,)	(00,027)	203,073	100,000
- administered by the Association		167,921		167,921	140.620
- subject to trust agreement	1900	107,521	1 004 124		149,628
Capital assets [note 5]	5,822		1,004,134	1,004,134	931,022
	279,866	134,797	969,107	5,822 1,383,770	1,831
LIABILITIES AND FUND BALANCES					1,202,007
Current liabilities					
Accounts payable and accrued liabilities [note 6]	44,787			44 707	22.506
Deferred revenue [note 7]	227		W000771886	44,787 227	32,586
Total liabilities	45,014			45,014	7,010
Fund balances	10,011			45,014	39,596
Trust fund			969,107	060 107	055 105
Internally restricted	350TT	134,797	707,107	969,107	955,425
Unrestricted	234,852	134,797		134,797	135,561
Total fund balances	234,852	134,797	969,107	234,852	131,985
	279,866	134,797	969,107	1,338,756	1,222,971
	277,000	154,797	909,107	1,383,770	1,262,567

Endowment Fund and BCCLA Legacy Trust Fund [note 8] Contingent liability [note 10]

See accompanying notes to the financial statements

Approved by:

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Director

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	2016			2015	
	General Fund	Stabilization Fund	Trust Fund	Total	Total
	\$	\$	\$	\$	\$
REVENUE					
Membership and donations	054 700				
Law Foundation of B.C. – operating grant	854,789		-	854,789	544,176
Specified grants earned [note 7]	175,000		_	175,000	175,000
Investment income	82,980			82,980	28,936
Gaming revenue earned [note 7]	116	5,917	62,877	68,910	101,770
	52,319	_		52,319	52,743
Miscellaneous and special events	52,217	1 1	-	52,217	57,413
Litigation recovery	7,914	_	-	7,914	163,114
Realized gains (losses) on sale of investments (net)	-	(3,521)	(25,758)	(29,279)	11,247
Adjustment of investments to market value	_	8,849	54,668	63,517	(54,560)
Endowment distributions [note 8]	5,301			5,301	5,023
	1,230,636	11,245	91,787	1,333,668	1,084,862
EXPENSES					
Salaries and benefits	720,509			720,509	640,946
Office operating	142,278	3		142,281	63,292
Litigation costs	111,829				
Rent and utilities	58,374			111,829	57,400
Fundraising	57,020			58,374	55,869
Professional fees	37,452	17 2		57,020	19,675
Travel and accommodation	30,735	_			37,571
Bank charges	18,128		_	30,735	30,234
Newsletter		-		18,128	14,076
Strategic planning	16,385	-	_	16,385	13,365
Contracting	7,761		_	7,761	27,683
Amortization	3,953	-	(******	3,953	28,309
	3,826	_	-	3,826	2,543
Meetings, publications, events Conference	3,385			3,385	5,053
	3,353	-	_	3,353	7,096
Insurance	2,892			2,892	4,058
	1,217,880	3		1,217,883	1,007,170
Excess of revenue for the year	12,756	11,242	91,787	115,785	77,692
Interfund transfers [note 11]	90,111	(12,006)	(78,105)		. 1,072
	102,867	(764)	13,682	115,785	77,692
Fund balances, beginning of year	131,985	135,561	955,425	1,222,971	1,145,279
Fund balances, end of year	234,852	134,797	969,107	1,338,756	1,222,971

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended December 31

	2016				2015
	General Fund \$	Stabilization Fund \$	Trust Fund \$	Total \$	Total \$
	Ψ	y .	9		3
OPERATING ACTIVITIES					
Contributions received	857,289			857,289	566,676
Grants received:					
Law Foundation of B.C.	175,000	_	-	175,000	175,000
Other	75,980		_	75,980	31,000
Litigation recovery	7,914			7,914	163,114
Gaming proceeds received	52,536	<u></u> 0		52,536	39
Publication, special events and other	52,618			52,618	55,306
Income received on investments	116	5,917	62,877	68,910	101,770
Endowment income received	200	_		200	5,023
Cash paid for salaries and benefits	(719,110)		_	(719,110)	(640,245)
Cash paid for materials and services	(485,779)	_	<u> </u>	(485,779)	(376,898)
Cash provided by operating activities	16,764	5,917	62,877	85,558	80,785
FINANCING AND INVESTING ACTIVITIES					
Purchase of capital assets	(7,817)			(7.017)	(655)
Purchase and sale of investments (net)	(7,017)	5 244	(16,007)	(7,817)	(657)
Inter-fund transfers	21,847	5,344 (15,159)	(16,097)	(10,753)	(67,592)
Cash provided by (used in)	21,047	(13,139)	(53,105)	(46,417)	(7,150)
financing and investing activities	44000		0.000 0.000	99.2	
imancing and investing activities	14,030	(9,815)	(69,202)	(64,987)	(75,399)
Increase (decrease) in cash for the year	30,794	(3,898)	(6,325)	20,571	5 200
Cash, beginning of year	114,657	6,263	26,903	147,823	5,386
Cash, end of year	145,451	2,365	20,578	168,394	142,437
	143,431	2,303	20,576	100,394	147,823
Cash consists of:					
Cash	145,224	2,365	20,578	168,167	147,814
Restricted cash - gaming account	227			227	9
<u> </u>	145,451	2,365	20,578	168,394	147,823
	,	_,000	20,570	100,074	177,023

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 British Columbia Societies Act 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 financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian ASNPO 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 amounts of revenues and expenses reported during the year. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, in particular as it relates to useful lives of capital assets and the determination of the deferred portion of grants. Actual results could differ from these estimates.

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

The Association follows fund accounting. The major funds are described below:

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

General Fund

The General Fund reports revenues and expenses related to program and service delivery, administrative activities, special projects, legal services and capital assets.

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.

Measurement of Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable. Financial assets measured at fair value include investments.

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

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the year-end.

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.

Contributed Services

Volunteers contribute a significant amount of hours and services 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.

3. ACCOUNTS RECEIVABLE

	2016	2015 \$
	\$	
General Fund		
Donations	_	2,500
Government - GST	2,622	2,845
Operations	5,466	5,867
Due from endowment fund	3,571	
	11,659	11,212

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

4. INVESTMENTS, AT MARKET VALUE

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

	Stabilization Fund		Trust Fund	
		Fair		Fair
	Cost	Value	Cost	Value
	\$	\$	\$	\$
2016				
Government and corporate bonds	33,863	32,338	60,685	59,407
Canadian and U.S. equities	86,556	121,826	698,451	888,184
Canadian trust units		·	20,264	31,595
Mutual funds	16,369	13,757	_	_
Exchange - traded funds			25,567	24,948
	136,788	167,921	804,967	1,004,134
2015				
Government and corporate bonds	62,008	60,346	198,167	194,253
Canadian and U.S. equities	65,297	80,735	568,092	712,289
Canadian trust units		<u> </u>	20,264	24,480
Mutual funds	49	8,547		
	127,354	149,628	786,523	931,022

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.

5. CAPITAL ASSETS

	2016 \$	2015 \$
Furniture, equipment and computers, at cost	104,762	96,945
Less: accumulated amortization	(98,940)	(95,114)
	5,822	1,831

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015 \$
	\$	
Operations	44,787	31,056
Due to endowment fund		1,530
	44,787	32,586

7. DEFERRED REVENUE

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

	Opening Balance \$	Awarded or Transferred \$	Earned or Transferred \$	Closing Balance \$
2016				
Law Foundation of B.C CBSA research	7,000	-	7,000	-
Tides Canada Foundation - Challenge Fund	-	71,232	71,232	
Employment of Social Development Canada	Minney	4,748	4,748	
	7,000	75,980	82,980	
Province of B.C Direct access gaming	10	52,536	52,319	227
	7,010	128,516	135,299	227
2015		l		
Law Foundation of B.C CBSA research	2())	17,000	10,000	7,000
Other grants		14,000	14,000	_
Vancity Community Foundation			550 B * 1000	
- Hall of Justice concept plan	4,936		4,936	
	4,936	31,000	28,936	7,000
Province of B.C Direct access gaming	52,714	39	52,743	10
	57,650	31,039	81,679	7,010

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. ENDOWMENT FUND AND BCCLA LEGACY TRUST FUND

a) 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, 2016 and 2015 is not reflected on these financial statements.

The endowment fund had a market value of \$152,776 at December 31, 2016 [2015 - \$146,287]. During the year the Association received contributions of \$200 [2015 - \$800] for the endowment fund. The Association received distributions from the fund of \$5,301 [2015 - \$5,023] which are included in revenue.

b) BCCLA Legacy Trust Fund

The Association receives donations subject to a trust agreement that gives the trustee control over the investment and distribution of the donated funds. The trustee is required to pay the net income realized by the trust fund to the Association but has sole and uncontrolled discretion over the distribution of the trust capital. The activities of the trust fund were as follows:

	2016	2015
	\$	\$
Donations received	130	5,930
Investment income realized	142,601	186,679
Change in market value	158,699	36,570
Distributions included in membership and donation revenue	(337,204)	(167,500)
Change in fund balance	(35,774)	61,679
Fund balance, beginning of year	3,489,964	3,428,285
Fund balance, end of year	3,454,190	3,489,964

As the Association only has the right to receive the net income realized by the trust fund and has no access to the trust capital, these financial statements do not reflect this amount as an asset.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

9. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis presents the Association's exposures to significant risk as at December 31, 2016.

Credit Risk

Credit risk is the risk that the Association will incur a loss due to the failure by its debtors to meet their contractual obligations. The Association is exposed to credit risk with respect to its cash, investments and accounts receivable. The Society limits its exposure to credit risk by placing its cash in bank accounts with a credit union. The Association assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive and investments are invested with a large Canadian financial institution.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Association is exposed to this type of risk as a result of investments in bonds and equities. However, the risk associated with investments is reduced as some of these assets are invested in government securities.

Liquidity Risk

Liquidity risk is the risk that the Association will not be able to meet its cash requirements or fund obligations as they become due. The Association manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Other Price Risk

Other price risk associated with investments in shares is reduced to a minimum, since the Association mitigates the risk by regularly rebalancing its portfolio and investing in the Canadian financial sector.

10. 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, if any, cannot be determined.

11. INTERFUND TRANSFERS

At the discretion of the Board, the Association transferred funds from their Stabilization Fund during the year to cover their operations. At the discretion of the Trustee, funds were also transferred from their Trust Fund during the year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

12. EMPLOYEE REMUNERATION

During the year, there were 4 employees earning over \$75,000. The total amount of remuneration paid to the employees was \$356,935, collectively. This is included in salaries and benefits expense.