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**FINANCIAL STATEMENTS**

**BRITISH COLUMBIA CIVIL  
LIBERTIES ASSOCIATION**

**December 31, 2012**

***TW* TOMPKINS, WOZNY, MILLER & CO.**  
Chartered Accountants

A partnership of incorporated professionals.

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of  
**British Columbia Civil Liberties Association**

We have audited the accompanying financial statements of British Columbia Civil Liberties Association, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits 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, verification 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 and excess of revenue for the years ended December 31, 2012 and December 31, 2011, current assets and fund balances as at December 31, 2012, December 31, 2011 and January 1, 2011.

### *Qualified Opinion*

In our opinion, except for the possible 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, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

### *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.*

Vancouver, Canada  
May 13, 2013

Chartered Accountants

## STATEMENT OF FINANCIAL POSITION

As at December 31

	2012			Total	2011	As at January 1, 2011
	General Fund \$	Stabilization Fund \$	Trust Fund \$		Total \$	Total \$
<b>ASSETS</b>						
<b>Current</b>						
Cash	52,262	7,448	11,674	71,384	100,187	44,394
Restricted cash - gaming account	1,045	—	—	1,045	502	287
Accounts receivable <i>[note 4]</i>	48,490	728	2,637	51,855	92,481	38,473
Interfund balances	67,458	(12,461)	(54,997)	—	—	—
Prepaid expenses	26,711	—	—	26,711	20,116	21,819
<b>Total current assets</b>	<b>195,966</b>	<b>(4,285)</b>	<b>(40,686)</b>	<b>150,995</b>	<b>213,286</b>	<b>104,973</b>
Investments, at market value <i>[note 5]</i>						
– administered by the Association (cost \$165,949 [2011 - \$419,630])	—	167,494	—	167,494	421,584	80,972
– subject to trust agreement (cost \$782,032 [2011 - \$510,924])	—	—	847,621	847,621	543,811	533,626
Capital assets <i>[note 6]</i>	27,738	—	—	27,738	8,177	12,613
Deferred architectural costs	—	—	—	—	12,333	—
	<b>223,704</b>	<b>163,209</b>	<b>806,935</b>	<b>1,193,848</b>	<b>1,199,191</b>	<b>732,184</b>
Endowment fund <i>[note 10]</i>						
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities <i>[note 7]</i>	53,841	—	—	53,841	100,618	54,509
Deferred revenue <i>[note 8]</i>	36,116	—	—	36,116	85,499	1,521
Deferred capital contributions <i>[note 9]</i>	3,724	—	—	3,724	20,188	11,986
<b>Total liabilities</b>	<b>93,681</b>	<b>—</b>	<b>—</b>	<b>93,681</b>	<b>206,305</b>	<b>68,016</b>
<b>Fund balances</b>						
Trust fund	—	—	806,935	806,935	549,631	537,422
Internally restricted	—	163,209	—	163,209	423,470	(1,829)
Unrestricted	130,023	—	—	130,023	19,785	128,575
<b>Total fund balances</b>	<b>130,023</b>	<b>163,209</b>	<b>806,935</b>	<b>1,100,167</b>	<b>992,886</b>	<b>664,168</b>
	<b>223,704</b>	<b>163,209</b>	<b>806,935</b>	<b>1,193,848</b>	<b>1,199,191</b>	<b>732,184</b>

Contingent liability *[note 12]*Commitments *[note 13]*

See accompanying notes to the financial statements

Approved by:

Treasurer

Director

**STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCES**

For the year ended December 31

	2012			2011	
	General Fund	Stabilization Fund	Trust Fund	Total	Total
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
Membership and donations	482,205	—	—	482,205	199,347
Law Foundation of B.C. – operating grant	313,600	—	—	313,600	313,600
Specified grants earned <i>[note 8]</i>	150,818	—	—	150,818	156,614
Miscellaneous and special events	60,637	—	—	60,637	4,960
Gaming revenue earned <i>[note 8]</i>	49,481	—	—	49,481	49,859
Investment income	571	5,511	25,969	32,051	24,404
Realized gains (losses) on sale of investments (net)	—	2,226	(8,226)	(6,000)	13,026
Adjustment of investments to market value	—	(409)	32,702	32,293	(13,260)
CLE registrations	8,240	—	—	8,240	19,875
Amortization - deferred capital contributions <i>[note 9]</i>	4,131	—	—	4,131	4,131
Endowment distributions <i>[note 10]</i>	4,035	—	—	4,035	3,673
Bequests	—	—	—	—	370,148
Court awarded costs	—	—	—	—	(2,783)
	1,073,718	7,328	50,445	1,131,491	1,143,594
<b>EXPENSES</b>					
Salaries and benefits	630,590	—	—	630,590	547,462
Office operating	61,669	—	—	61,669	39,526
Rent and utilities	58,100	—	—	58,100	43,110
Architectural costs	45,601	—	—	45,601	—
Travel and accommodation	33,283	—	—	33,283	15,588
Litigation costs	31,718	—	—	31,718	56,123
Professional fees	26,079	449	1,578	28,106	22,000
Conference	26,228	—	—	26,228	—
Meetings, publications, events	25,094	—	—	25,094	14,481
Contracting	23,979	—	—	23,979	46,486
Fundraising	22,593	—	—	22,593	11,078
Amortization	16,094	—	—	16,094	4,436
Newsletter	13,363	—	—	13,363	9,110
Bank charges	6,130	—	—	6,130	3,960
Insurance	1,662	—	—	1,662	1,516
	1,022,183	449	1,578	1,024,210	814,876
Excess of revenue for the year	51,535	6,879	48,867	107,281	328,718
Fund balances, beginning of year	19,785	423,470	549,631	992,886	664,168
Interfund transfers <i>[note 14]</i>	58,703	(267,140)	208,437	—	—
<b>Fund balances, end of year</b>	<b>130,023</b>	<b>163,209</b>	<b>806,935</b>	<b>1,100,167</b>	<b>992,886</b>

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended December 31

	2012			2011	
	General Fund	Stabilization Fund	Trust Fund	Total	Total
	\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Contributions received	471,790	—	—	471,790	530,333
Grants received:					
Law Foundation of B.C.	343,600	—	—	343,600	313,600
Other	102,938	—	—	102,938	172,709
Gaming proceeds received	50,024	—	—	50,024	50,075
Publication, special events and other	61,969	—	—	61,969	24,835
Court awarded costs	—	—	—	—	25,250
Income received on investments	571	5,848	25,470	31,889	22,633
Endowment income received	4,035	—	—	4,035	3,673
Cash paid for salaries and benefits	(630,590)	—	—	(630,590)	(547,462)
Cash paid for materials and services	(410,611)	—	—	(410,611)	(189,949)
<b>Cash provided by (used in) operating activities</b>	<b>(6,274)</b>	<b>5,848</b>	<b>25,470</b>	<b>25,044</b>	<b>405,697</b>
<b>FINANCING AND INVESTING ACTIVITIES</b>					
Contributions for endowment fund	(4,636)	—	—	(4,636)	1,340
Purchase of capital assets	(35,655)	—	—	(35,655)	—
Purchase and sale of investments (net)	5,207	255,907	(279,334)	(18,220)	(351,029)
Inter-fund transfers	—	(255,981)	261,188	5,207	—
<b>Cash used in financing and investing activities</b>	<b>(35,084)</b>	<b>(74)</b>	<b>(18,146)</b>	<b>(53,304)</b>	<b>(349,689)</b>
<b>Increase (decrease) in cash</b>	<b>(41,358)</b>	<b>5,774</b>	<b>7,324</b>	<b>(28,260)</b>	<b>56,008</b>
Cash, beginning of year	94,665	1,674	4,350	100,689	44,681
<b>Cash, end of year</b>	<b>53,307</b>	<b>7,448</b>	<b>11,674</b>	<b>72,429</b>	<b>100,689</b>
<b>Cash consists of:</b>					
Cash	52,262	7,448	11,674	71,384	100,187
Restricted cash - gaming account	1,045	—	—	1,045	502
	53,307	7,448	11,674	72,429	100,689

See accompanying notes to the financial statements

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

### 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 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, the determination of the deferred portion of grants and contingencies. 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.

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

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

#### **Fund Accounting**

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

##### *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

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December 31, 2012

### 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.

#### 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.

#### 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. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The Association has elected to apply Canadian accounting standards for not-for-profit organizations.

These financial statements are the first financial statements for which the Association has applied Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended December 31, 2012 were prepared in accordance with the accounting principles and provisions set out in Section 1501, First-time Adoption by Not-for-Profit Organizations, for first-time adopters of this basis of accounting.

The impact of adopting these standards had no impact on the Association's excess of revenues over expenses for the year ended December 31, 2012 or on net assets as at January 1, 2011, the date of transition.



NOTES TO FINANCIAL STATEMENTS

December 31, 2012

4. ACCOUNTS RECEIVABLE

	2012	2011
	\$	\$
<b>General Fund</b>		
Grants	35,831	80,210
Government - HST	4,662	7,476
Interest and other	7,997	1,594
	<b>48,490</b>	<b>89,280</b>
<b>Stabilization Fund</b>		
Interest and other	728	1,064
<b>Trust Fund</b>		
Interest and other	2,637	2,137
	<b>51,855</b>	<b>92,481</b>

5. INVESTMENTS, AT MARKET VALUE

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

	2012		2011	
	Stabilization Fund \$	Trust Fund \$	Stabilization Fund \$	Trust Fund \$
Government and corporate bonds	99,306	280,076	187,206	208,026
Canadian equities	46,978	501,954	57,828	322,283
Canadian trust units	21,210	14,742	21,155	—
Mutual funds	—	50,849	—	—
Pooled equity funds	—	—	55,330	13,502
Money market funds	—	—	100,065	—
	<b>167,494</b>	<b>847,621</b>	<b>421,584</b>	<b>543,811</b>

The average yield to maturity, based on the cost of the investments, on the government and corporate bonds approximated 3.40% at December 31, 2012 [2011: 3.3%]. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

6. CAPITAL ASSETS

	2012	2011
	\$	\$
Furniture, equipment and computers, at cost	89,503	53,848
Less: accumulated amortization	61,765	45,671
<b>Net book value</b>	<b>27,738</b>	<b>8,177</b>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
	\$	\$
Operations	52,250	94,935
Government remittances - Payroll	500	—
Government remittances - Worksafe BC	671	627
Due to endowment fund	420	5,056
	<b>53,841</b>	<b>100,618</b>

8. 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
	\$	\$	\$	\$
<b>2012</b>				
HRDC - summer students	—	9,765	9,765	—
Law Foundation of B.C. - grants				
- Death in Custody Publication/Workshops	1,312	—	1,312	—
- Electronic devices	7,429	—	7,429	—
- Genetic privacy publication	1,600	—	1,600	—
- Lawful access publication	1,835	—	1,835	—
M.A.C. AIDS Fund - HIV privacy	35,000	—	31,435	3,565
Privacy Commissioner of Canada				
- Hybrid smart card	—	35,057	35,057	—
Province of B.C. - Justice denied	—	5,000	5,000	—
Tides Canada Foundation - Carter case	6,864	38,737	14,095	31,506
	<b>54,040</b>	<b>88,559</b>	<b>107,528</b>	<b>35,071</b>
Real Estate Foundation - feasibility	30,957	12,333	43,290	—
	<b>84,997</b>	<b>100,892</b>	<b>150,818</b>	<b>35,071</b>
Province of B.C. - Direct access gaming	502	50,024	49,481	1,045
	<b>85,499</b>	<b>150,916</b>	<b>200,299</b>	<b>36,116</b>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

## 8. DEFERRED REVENUE (CONT'D)

	Opening Balance \$	Awarded or Transferred \$	Earned or Transferred \$	Closing Balance \$
<b>2011</b>				
HRDC - summer students	—	9,429	9,429	—
Province of B.C. - Workplace training	—	3,955	3,955	—
Law Foundation of B.C. - grants				
- Death in Custody Publication/Workshops	1,234	7,000	6,922	1,312
- Electronic devices	—	15,000	7,571	7,429
- Genetic privacy publication	—	20,000	18,400	1,600
- Lawful access publication	—	20,000	18,165	1,835
- Rights Watch	—	10,000	10,000	—
M.A.C. AIDS Fund - HIV privacy	—	35,000	—	35,000
Hamber Foundation - Northern outreach	—	1,500	1,500	—
Vancouver Foundation - Northern outreach	—	40,000	40,000	—
Tides Canada Foundation				
- Carter case	—	39,536	32,672	6,864
- Northern outreach	—	8,000	8,000	—
	1,234	209,420	156,614	54,040
Province of B.C. - Direct access gaming	287	50,074	49,859	502
	1,521	259,494	206,473	54,542
Real Estate Foundation - feasibility, net of architectural costs transferred <i>[note 9]</i>	—	43,290	12,333	30,957
	1,521	302,784	218,806	85,499

## 9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of capital assets (2011 - and deferred costs) paid for with restricted contributions.

	2012 \$	2011 \$
Balance, beginning of year	20,188	11,986
Architectural costs contributed	—	12,333
Architectural costs transferred	(12,333)	—
Amounts recognized as revenue in the year	(4,131)	(4,131)
Balance, end of year	3,724	20,188

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

### 10. 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, 2012 and 2011 is not reflected on these financial statements.

The endowment fund had a market value of \$111,204 at December 31, 2012 [2011 - \$102,991]. During the year the Association received contributions of \$420 for the endowment fund [2011 - \$1,340] and a further \$Nil [2011 - \$6,500] was paid directly to the Vancouver Foundation. The Association received distributions from the fund of \$4,035 [2011 - \$3,673] which are included in net income.

### 11. 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, 2012.

#### Credit Risk

The Association is exposed to credit risk with respect to its bank deposits, accounts receivable and investments. 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.

#### Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

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.

#### Interest Rate Risk

The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating rate instruments subject it to a cash flow risk. 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 since some of these assets are invested in government securities.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

### 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, if any, cannot be determined.

### 13. COMMITMENTS

The Association has entered into a lease agreement for office premises expiring in November, 2014. Annual lease payments of \$17,725 plus operating costs and taxes are required until the end of the agreement. This location has been subleased with costs being fully recovered.

The Association has entered into a lease agreement for office premises expiring in July, 2014. Annual lease payments of \$42,000 plus taxes are required until the end of the agreement.

### 14. INTERFUND TRANSFERS

The Association carried out the following interfund transfers during the year:

- Transfer of investments from the Stabilization Fund to the Trust Fund of \$261,188.
- Transfer of income from the Stabilization Fund to the General Fund of \$5,952.
- Transfer of income from the Trust Fund to the General Fund of \$52,751.