

FINANCIAL STATEMENTS

**BRITISH COLUMBIA CIVIL
LIBERTIES ASSOCIATION**

December 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of
British Columbia Civil Liberties Association

Qualified Opinion

We have audited the financial statements of British Columbia Civil Liberties Association (the Association), which comprise the statement of financial position as at December 31, 2018 and 2017, and the statements of operations and changes in fund balances and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Association derives revenue from fundraising activities 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 membership and donation revenue, excess of revenues (expenses), and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

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.

Tompkins Wozny LLP

Vancouver, Canada
April 15, 2019

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2018			2017	
	General Fund \$	Stabilization Fund \$	Trust Fund \$	Total \$	Total \$
ASSETS					
Current					
Cash	258,835	6,462	1,092	266,389	226,030
Restricted cash - gaming account	(36)	—	—	(36)	193
Accounts receivable <i>[note 3]</i>	25,692	—	—	25,692	23,157
Prepaid expenses	35,439	—	—	35,439	31,825
Interfund balances	288,210	(179,688)	(108,522)	—	—
Total current assets	608,140	(173,226)	(107,430)	327,484	281,205
Investments, at market value <i>[note 4]</i>					
– administered by the Association	—	228,006	—	228,006	201,304
– subject to trust agreement	—	—	778,041	778,041	939,419
Capital assets <i>[note 5]</i>	224,004	—	—	224,004	65,096
	832,144	54,780	670,611	1,557,535	1,487,024
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities <i>[note 6]</i>	79,039	—	—	79,039	105,889
Deferred revenue <i>[note 7]</i>	26,700	—	—	26,700	15,300
Current portion of operating line of credit <i>[note 15]</i>	30,480	—	—	30,480	—
Total current liabilities	136,219	—	—	136,219	121,189
Operating line of credit <i>[note 15]</i>	84,391	—	—	84,391	—
Deferred contributions related to leasehold improvements <i>[note 8]</i>	87,164	—	—	87,164	—
Total liabilities	307,774	—	—	307,774	121,189
Fund balances					
Trust fund	—	—	670,611	670,611	917,154
Internally restricted	—	54,780	—	54,780	107,795
Unrestricted	524,370	—	—	524,370	340,886
Total fund balances	524,370	54,780	670,611	1,249,761	1,365,835
	832,144	54,780	670,611	1,557,535	1,487,024

Endowment Fund and BCCLA Legacy Trust Fund *[note 9]*

Contingent liability *[note 12]*

Lease commitment *[note 16]*

See accompanying notes to the financial statements

Approved by:

Treasurer

Director



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

Year ended December 31

	2018			2017	
	General	Stabilization	Trust	Total	Total
	Fund	Fund	Fund	\$	\$
	\$	\$	\$	\$	\$
REVENUE					
Membership and donations	663,987	—	—	663,987	509,086
Distributions from BCCLA Legacy Trust Fund <i>[note 9 b]</i>	310,000	—	—	310,000	455,000
Law Foundation of B.C. – operating grant	190,000	—	—	190,000	175,000
Miscellaneous and special events	108,232	—	—	108,232	4,482
Grants earned <i>[note 7]</i>	106,135	—	—	106,135	82,457
Amortization of deferred contributions <i>[note 8]</i>	6,836	—	—	6,836	—
Endowment distributions <i>[note 9 a]</i>	5,817	—	—	5,817	5,530
Litigation recovery	—	—	—	—	31,931
Net investment income (loss) <i>[note 10]</i>	114	(22,199)	(67,479)	(89,564)	103,513
	1,391,121	(22,199)	(67,479)	1,301,443	1,366,999
EXPENSES					
Salaries and benefits <i>[note 14]</i>	913,150	—	—	913,150	844,308
Office operating	98,335	—	—	98,335	97,104
Fundraising	89,370	—	—	89,370	41,517
Contract fees	82,561	—	—	82,561	92,506
Rent and utilities	71,306	—	—	71,306	59,567
Litigation costs	49,737	—	—	49,737	118,444
Travel and accommodation	42,935	—	—	42,935	36,848
Amortization	32,488	—	—	32,488	5,609
Bank and donation processing charges	17,065	—	—	17,065	14,320
Newsletter	9,892	—	—	9,892	15,736
Meetings, publications, events	4,834	—	—	4,834	5,888
Conference	3,028	—	—	3,028	5,466
Insurance	2,816	—	—	2,816	2,607
	1,417,517	—	—	1,417,517	1,339,920
Excess of revenue (expenses) for the year	(26,396)	(22,199)	(67,479)	(116,074)	27,079
Interfund transfers <i>[note 13]</i>	209,880	(30,816)	(179,064)	—	—
	183,484	(53,015)	(246,543)	(116,074)	27,079
Fund balances, beginning of year	340,886	107,795	917,154	1,365,835	1,338,756
Fund balances, end of year	524,370	54,780	670,611	1,249,761	1,365,835

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended December 31

	2018			2017	
	General	Stabilization	Trust	Total	Total
	Fund	Fund	Fund		
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Contributions received	986,002	—	—	986,002	952,995
Grants received:					
Law Foundation of B.C.	190,000	—	—	190,000	175,000
Gaming - capital grant	94,000	—	—	94,000	—
Other	64,988	—	—	64,988	45,003
Litigation recovery	—	—	—	—	31,931
Gaming proceeds received	52,547	—	—	52,547	52,527
Publication, special events and other	108,232	—	—	108,232	5,198
Income received on investments	114	8,230	22,162	30,506	32,159
Endowment income received	5,817	—	—	5,817	5,530
Cash paid for salaries and benefits	(871,952)	—	—	(871,952)	(838,441)
Cash paid for materials and services	(562,802)	—	—	(562,802)	(489,917)
Cash provided by (used in) operating activities	66,946	8,230	22,162	97,338	(28,015)
FINANCING AND INVESTING ACTIVITIES					
Purchase of capital assets	(186,685)	—	—	(186,685)	(16,846)
Proceeds from operating line of credit	114,871	—	—	114,871	—
Purchase and sale of investments (net)	—	15,044	70,605	85,649	328,976
Inter-fund transfers	137,737	(39,912)	(168,868)	(71,043)	(226,286)
Cash provided by (used in) financing and investing activities	65,923	(24,868)	(98,263)	(57,208)	85,844
Increase (decrease) in cash for the year	132,869	(16,638)	(76,101)	40,130	57,829
Cash, beginning of year	125,930	23,100	77,193	226,223	168,394
Cash, end of year	258,799	6,462	1,092	266,353	226,223
Cash consists of:					
Cash	258,835	6,462	1,092	266,389	226,030
Restricted cash - gaming account	(36)	—	—	(36)	193
	258,799	6,462	1,092	266,353	226,223

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018

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, 2018

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, three years for computers and over the term of the lease for leasehold improvements. 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

	2018	2017
	\$	\$
Donations	—	11,091
Government - GST	18,294	3,744
Operations	3,827	4,751
Due from endowment fund	3,571	3,571
	25,692	23,157
Allowance for doubtful accounts	—	—
	25,692	23,157

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

4. INVESTMENTS, AT MARKET VALUE

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

	Stabilization Fund		Trust Fund	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
2018				
Government and corporate bonds	18,499	16,011	15,664	14,226
Canadian and U.S. equities	128,670	202,373	545,779	710,074
Canadian trust units	10,145	9,622	18,238	26,109
Exchange traded funds	—	—	25,567	27,632
	157,314	228,006	605,248	778,041
2017				
Government and corporate bonds	33,863	31,515	31,175	29,602
Canadian and U.S. equities	86,557	169,789	592,264	855,849
Canadian trust units	—	—	18,238	25,773
Exchange traded funds	—	—	25,567	28,195
	120,420	201,304	667,244	939,419

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 [note 10].

5. CAPITAL ASSETS

	2018	2017
	\$	\$
Leasehold improvements, at cost	224,213	56,718
Furniture, equipment and computers, at cost	75,213	112,928
Less: accumulated amortization	(75,422)	(104,550)
	224,004	65,096

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Operations	57,398	104,923
Government remittances - payroll taxes	16,921	—
Government remittances - WorkSafeBC	4,720	966
	79,039	105,889

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 \$	Closing Balance \$
2018				
Canadian Internet Registration Authority	14,970	—	14,970	—
Law Foundation of B.C. - Technology Funding	—	3,167	3,167	—
- Public Interest Articling	—	30,000	21,700	8,300
- Indigenous Restorative Justice	—	25,000	6,600	18,400
Employment of Social Development Canada	—	6,821	6,821	—
Province of B.C. - Direct access gaming	330	52,547	52,877	—
	15,300	117,535	106,135	26,700
2017				
Canadian Internet Registration Authority	—	20,170	5,200	14,970
Law Foundation of B.C. - CBSA research	—	3,000	3,000	—
Law Foundation of B.C. - Technology Funding	—	21,833	21,833	—
Province of B.C. - Direct access gaming	227	52,527	52,424	330
	227	97,530	82,457	15,300

8. DEFERRED CONTRIBUTION RELATED TO LEASEHOLD IMPROVEMENTS

	2018 \$	2017 \$
Balance, beginning of year	—	—
Contribution received	94,000	—
Transfer to revenue	(6,836)	—
Balance, end of year	87,164	—

The deferred contribution represents capital funding received from Province of B.C. that was designated for the Association's leasehold improvements. The contribution has been spent and is being deferred and amortized to income over the term of the lease.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

9. 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, 2018 and 2017 is not reflected on these financial statements.

The endowment fund had a market value of \$150,507 at December 31, 2018 [2017 - \$158,427]. During the year the Association received contributions of \$Nil [2017 - \$150] for the endowment fund. The Association received distributions from the fund of \$5,817 [2017 - \$5,530] 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:

	2018	2017
	\$	\$
Investment income realized	121,300	110,841
Change in market value	(353,599)	269,444
Distributions included in revenue	(310,000)	(455,000)
Change in fund balance	(542,299)	(74,715)
Fund balance, beginning of year	3,379,475	3,454,190
Fund balance, end of year	2,837,176	3,379,475

As the Association only has the right to receive the distributions from 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, 2018

10. NET INVESTMENT INCOME (LOSS)

	General Fund \$	Stabilization Fund \$	Trust Fund \$	Total \$
2018				
Interest and dividends, net of fees	114	8,230	22,162	30,506
Realized losses on sales of investments	—	—	(21,741)	(21,741)
Unrealized gains (losses) on investments	—	(20,236)	31,482	11,246
Adjustments of investments to market value	—	(10,193)	(99,382)	(109,575)
	114	(22,199)	(67,479)	(89,564)
2017				
Interest and dividends	116	5,912	26,131	32,159
Realized gains (losses) on sales of investments	—	1,066	(28,911)	(27,845)
Unrealized gains (losses) on investments	—	(60,233)	36,672	(23,561)
Adjustments of investments to market value	—	49,752	73,008	122,760
	116	(3,503)	106,900	103,513

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, 2018.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

11. FINANCIAL INSTRUMENTS (CONT'D)

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.

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. 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.

	General Fund \$	Stabilization Fund \$	Trust Fund \$	Total \$
Cash transfers (to) from fund	40,000	(40,000)	—	—
Other transfers	(9,184)	9,184	—	—
	30,816	(30,816)	—	—
Cash transfers (to) from fund	170,000	—	(170,000)	—
Other transfers	9,064	—	(9,064)	—
	179,064	—	(179,064)	—
Total	209,880	(30,816)	(179,064)	—

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

14. EMPLOYEE REMUNERATION

Pursuant to the British Columbia Societies Act, the Association is required to disclose remuneration and benefits paid to employees and contractors who are paid \$75,000 or more during the fiscal year.

During the year, there were three [2017 - four] employees earning over \$75,000. The total amount of remuneration paid to the employees was \$290,471 [2017 - \$364,440], collectively. This is included in salaries and benefits expense.

15. OPERATING LINE OF CREDIT

The Association has an operating line of credit for up to \$250,000 which bears interest at Vancity prime plus 0.85%. As at December 31, 2018, the operating line of credit balance was \$114,871 [2017 - \$Nil].

The operating line of credit bears interest at 4.80% [2017 - 4.05%] and is repayable at \$2,540 per month.

	2018	2017
	\$	\$
Balance, end of year	114,871	—
Less: current portion	(30,480)	—
	84,391	—

16. LEASE COMMITMENT

The Association is committed to the following premise lease payments (subject to inflation cost increases) over the next five years:

	\$
2019	55,248
2020	55,248
2021	55,248
2022	55,248
2023	55,248
2024 and after	184,160
	460,400