

Consolidated financial statements of

**CANADIAN CIVIL LIBERTIES ASSOCIATION**

December 31, 2018

# **CANADIAN CIVIL LIBERTIES ASSOCIATION**

## **Consolidated Financial Statements**

**December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
**CANADIAN CIVIL LIBERTIES ASSOCIATION**

### Qualified Opinion

We have audited the consolidated financial statements of Canadian Civil Liberties Association ("CCLA"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations and changes in net assets, and the consolidated statement cash flows for the year then ended, and notes to the consolidated 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 our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of CCLA as at December 31, 2018, and the results of its operations and its cash flow for the year 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, CCLA derives revenue from contributions and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of CCLA and we were not able to determine whether any adjustments might be necessary to contributions and donations revenues, excess of revenues over expenditures and net assets.

We conducted our audit 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 CCLA in accordance with the ethical requirements that are relevant to our audit 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 opinion.

### Other Matter

The consolidated financial statements for the year ended December 31, 2017 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on those consolidated financial statements on March 26, 2018.

### Information Other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report of CCLA but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the financial statements, management is responsible for assessing CCLA'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 CCLA or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated 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 CCLA'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 doubt on CCLA'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 consolidated 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 CCLA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

TORONTO, Ontario  
March 25, 2019



**Licensed Public Accountants**

# CANADIAN CIVIL LIBERTIES ASSOCIATION

## Consolidated Statement of Financial Position

As at December 31,	2018	2017 (note 11)
<b>Assets</b>		
Current		
Cash	\$ 300,307	\$ 120,741
Short-term investments (note 3)	876,679	1,337,281
Grants receivable (note 6)	36,381	22,110
Prepaid expenses and sundry receivables	36,638	33,743
Public service body receivable	74,591	90,634
	<b>1,324,596</b>	<b>1,604,509</b>
Capital assets (note 4)	27,592	34,708
	<b>\$ 1,352,188</b>	<b>\$ 1,639,217</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 80,311	\$ 37,693
Deferred grants and contributions (note 5)	220,772	108,451
	<b>301,083</b>	<b>146,144</b>
Net assets	<b>1,051,105</b>	<b>1,493,073</b>
	<b>\$ 1,352,188</b>	<b>\$ 1,639,217</b>

Commitments and subsequent event (note 8 and note 10, respectively)

See accompanying notes to the consolidated financial statements.

On behalf of the Trustees, Canadian Civil Liberties Education Trust

\_\_\_\_\_ Trustee

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

\_\_\_\_\_ Director

**CANADIAN CIVIL LIBERTIES ASSOCIATION**

## Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31,	2018	2017 (note 11)
Revenue		
Memberships, contributions and donations	\$ 561,624	\$ 577,097
Grants (notes 5 and 6)	388,599	387,687
Investment income	26,480	40,946
Unrealized gain (loss) on short-term investments	(39,701)	20,442
	<b>937,002</b>	<b>1,026,172</b>
Expenses		
Amortization	7,799	9,211
Campaign and fund raising	57,094	67,497
Communications	26,854	51,885
General and office, postage and newsletter	81,297	86,328
Insurance	8,249	4,376
Litigation	3,520	20,137
Professional fees	70,076	122,105
Rent and utilities (note 8)	62,031	78,584
Research	4,571	10,717
Salaries and benefits	1,041,721	1,010,906
Travel	15,758	99,346
	<b>1,378,970</b>	<b>1,561,092</b>
Deficiency of revenue over expenses for the year	(441,968)	(534,920)
Net assets, beginning of year	1,493,073	2,027,993
Net assets, end of year	\$ 1,051,105	\$ 1,493,073

See accompanying notes to the consolidated financial statements.

**CANADIAN CIVIL LIBERTIES ASSOCIATION**

## Consolidated Statement of Cash Flows

<u>Year ended December 31,</u>	<u>2018</u>	<u>2017</u>
Cash provided (used) by operating activities:		
Deficiency of revenue over expenses for the year	\$ (441,968)	\$ (534,920)
Items not requiring an outlay of cash:		
Amortization	7,799	9,211
Unrealized gain on short-term investments	39,701	(20,442)
	<b>(394,468)</b>	<b>(546,151)</b>
Net change in non-cash working capital balances:		
Grants receivable	(14,271)	22,483
Prepaid expenses and sundry receivables	(2,895)	15,754
Public service body rebate receivable	16,043	(32,560)
Accounts payable and accrued liabilities	42,618	(29,607)
Deferred grants	112,321	(33,810)
Net cash used by operating activities	<b>(240,652)</b>	<b>(603,891)</b>
Cash provided (used) by investing activities:		
Purchase of capital assets	(683)	(3,616)
Short-term investments (net)	420,901	466,612
Net cash provided by investing activities	<b>420,218</b>	<b>462,996</b>
Net increase (decrease) in cash	<b>179,566</b>	<b>(140,895)</b>
Cash, beginning of year	<b>120,741</b>	<b>261,636</b>
Cash, end of year	<b>\$ 300,307</b>	<b>\$ 120,741</b>

# CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements  
December 31, 2018

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## 1 Organization

Canadian Civil Liberties Association ("CCLA") is a not for profit organization whose objectives are to promote respect for and observance of fundamental human rights and civil liberties and to defend, extend and foster the recognition of these rights and liberties.

CCLA was incorporated without share capital as a not-for profit organization under the Canada Corporations Act by letters patent on April 1, 1985. On May 10, 2018 CCLA was incorporated under the Canada Not-for-profit Corporations Act. CCLA was granted charity status subsequent to year-end, as further described in note 10.

Canadian Civil Liberties Education Trust ("CCLET") is a charitable organization whose objectives are to conduct research and to educate with respect to fundamental human rights and civil liberties. CCLET was established by way of Declaration of Trust dated October 20, 1965.

The financial statements have been consolidated to include Canadian Civil Liberties Association ("CCLA") and Canadian Civil Liberties Education Trust ("CCLET"), referred to collectively as "the Organization". All transactions and balances between the CCLA and CCLET are eliminated upon consolidation.

The two organizations are administered by a common staff and share many of the expenditures incurred. The trustees of Canadian Civil Liberties Education Trust are comprised of certain officers of Canadian Civil Liberties Association. CCLA also provides an annual grant to assist CCLET in meeting its obligations.

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

The trustees of Canadian Civil Liberties Education Trust are comprised of certain officers of Canadian Civil Liberties Association.

## 2 Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

### (a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

CCLA memberships are recorded as revenue in the year of receipt.

Investment income is recognized as revenue when earned.

### (b) Cash

Cash includes cash deposits with financial institutions.

### (c) Short-term investments

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



## CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2018

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### 2 Significant accounting policies (continued)

#### (d) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for short-term investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in net assets in the year incurred. Financial assets measured at amortized cost are cash, grants receivable and sundry receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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

#### (e) Capital assets

The cost of a capital asset includes its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at December 31, 2018, no such impairment exists.

Amortization is provided over the estimated lives using the following rates:

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

#### (f) Allocation of expenses

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

#### (g) Contributed services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

The Organization benefits substantially from services in the form of volunteer time. Since volunteer time is not purchased, these contributed services are not recognized in the financial statements.

## CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements  
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### 2 Significant accounting policies (continued)

#### (h) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. Significant estimates include the useful lives of capital assets and allocation of expenses between CCLA and CCLET.

All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

### 3 Short-term investments

As at December 31,	2018	2017
Guaranteed investment certificates, bearing interest at rates ranging from 0.60% to 2.75% (2017 - 0.90% to 2.40%) and maturing on dates ranging from March 6, 2019 to March 23, 2026 (2017 - February 13, 2018 to March 23, 2026)	\$ 670,344	\$ 1,069,086
Preferred shares	146,440	182,280
Mutual funds and money market funds	57,967	83,881
Cash	1,928	2,034
	<b>\$ 876,679</b>	<b>\$ 1,337,281</b>

### 4 Capital assets

As at December 31,	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	\$ 55,650	\$ 33,145	\$ 55,650	\$ 27,518
Computer equipment	54,836	49,992	54,154	48,064
Computer software	9,018	8,775	9,018	8,532
	<b>\$ 119,504</b>	<b>\$ 91,912</b>	<b>\$ 118,822</b>	<b>\$ 84,114</b>
Net book value		<b>\$ 27,592</b>		<b>\$ 34,708</b>

### 5 Deferred grants and contributions

Deferred revenue consists of the unearned portion of contributions received.

As at December 31,	2018	2017
Balance, beginning of year	\$ 108,451	\$ 142,261
Grants and contributions received during the year and receivable	500,920	353,877
Grants and contributions earned during the year	(388,599)	(387,687)
Balance, end of year	<b>\$ 220,772</b>	<b>\$ 108,451</b>

## CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

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### 6 Grants

During the year, the Organization was approved for a one year grant of \$221,100 (2017 - \$221,100) from the Law Foundation of Ontario for the ongoing education program. The Organization is required to submit bi-annual project progress reports to the Law Foundation of Ontario for continued eligibility for the grant.

Included in grants receivable is \$22,110 (2017 - \$22,110) that was received from the Law Foundation of Ontario subsequent to the year end as the final payment of the above grant.

### 7 Allocation of expenses

CCLET and CCLA are administered by a common staff and share many of the same expenses. Accordingly, common expenses totaling \$1,294,934 (2017 - \$1,403,186) are allocated based upon approximate time that staff spent for each entity, as follows:

CCLET	68% (2017 - 68%)
CCLA	32% (2017 - 32%)

### 8 Commitments

CCLET has a lease for office space which expires on November 30, 2021. The minimum annual rent over the term of the lease is as follows:

2019	\$ 113,031
2020	116,163
2021	<u>106,483</u>
Total	<u>\$ 335,677</u>

The lease requires additional rent over the term, additional rent for fiscal 2019 is estimated to be \$132,040. Additional rent is adjusted annually.

CCLET recovers a portion of the base rent and common area maintenance fees as described in note 9.

### 9 Shared services

CCLET provides office space and administrative support to two organizations and in exchange receives reimbursement of 67.5% of base rent and common area maintenance fees.

Rent expense is presented net of reimbursements in the amount of \$171,649 (2017 - \$160,807) received.

### 10 Subsequent event

CCLA received Notification of Registration dated February 12, 2019 from the Charities Directorate of the Canada Revenue Agency in which they advise that CCLA has been granted charity status in Canada effective January 1, 2019.

# CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

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## 11 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk through its cash, investments and grants receivable.

Grants receivable are unsecured and are comprised of the grant payments from the Law Foundation of Ontario (note 6). There is minimal credit risk associated with the balance and all payments were received subsequent to year end.

The Organization's bank accounts are held at one financial institution. Funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

### Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization has sufficient cash and a significant investment portfolio which could be converted to cash in a short period to meet its obligations.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

### Currency risk

The Organization has no financial instruments denominated in a foreign currency and therefore is not exposed to currency risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is subject to interest rate risk from its interest bearing assets. The Organization's exposure to interest rate risk arises from short-term investments which bear interest at variable rates. The risk exposure is limited as it does not rely on investment income to fund its operations. The Organization monitors interest rates to determine whether there are indicators that long-term interest rates could change and impact operations. The Organization does not otherwise manage interest rate risk.

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

### Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market.

The Organization is exposed to other price risk through its short-term investments.

### Changes in risk

There have been no changes in the Organization's risk exposures in financial instruments from the prior year.

# **CANADIAN CIVIL LIBERTIES ASSOCIATION**

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## **12 Comparative figures**

Certain comparative figures for 2017 have been reclassified to conform with the financial statement presentation adopted in the current year.

**CANADIAN CIVIL LIBERTIES ASSOCIATION**

## Schedule of Financial Position, Individual Entities

As at December 31, 2018	CCLA	CCLET	Consolidated
<b>Assets</b>			
Current			
Cash	\$ 64,137	\$ 236,170	\$ 300,307
Short-term investments	40,720	835,959	876,679
Grants receivable	14,271	22,110	36,381
Prepaid expenses and sundry receivables	5,407	31,231	36,638
Public service body rebate receivable	-	74,591	74,591
	124,535	1,200,061	1,324,596
Capital assets (note 4)	8,327	19,265	27,592
	\$ 132,862	\$ 1,219,326	\$ 1,352,188
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 37,932	\$ 42,379	\$ 80,311
Deferred grants and contributions	77,057	143,715	220,772
Due between related party	50,933	(50,933)	-
	165,922	135,161	301,083
Net assets (deficit)	(33,060)	1,084,165	1,051,105
	\$ 132,862	\$ 1,219,326	\$ 1,352,188

See accompanying notes to the consolidated financial statements.

**CANADIAN CIVIL LIBERTIES ASSOCIATION**

## Schedule of Operations and Changes in Net Assets, Individual Entities

For the year ended December 31, 2018	CCLA	CCLET	Consolidated
Revenue			
Memberships, contributions and donations	\$ 213,206	\$ 348,418	\$ 561,624
Grants (notes 5 and 6)	133,715	254,884	388,599
Investment income	319	26,161	26,480
Unrealized gain (loss) on short-term investments	-	(39,701)	(39,701)
	<b>347,240</b>	<b>589,762</b>	<b>937,002</b>
Expenses			
Amortization	2,360	5,439	7,799
Campaign and fund raising	18,148	38,946	57,094
Communications	9,038	17,816	26,854
General and office, postage and newsletter	26,946	54,351	81,297
Insurance	2,641	5,608	8,249
Litigation	3,520	-	3,520
Professional fees	41,609	28,467	70,076
Rent and utilities (note 8)	20,484	41,547	62,031
Research	2,003	2,568	4,571
Salaries and benefits	335,434	706,287	1,041,721
Travel	8,982	6,776	15,758
	<b>471,165</b>	<b>907,805</b>	<b>1,378,970</b>
Deficiency of revenue over expenses for the year	(123,925)	(318,043)	(441,968)
Net assets, beginning of year	90,865	1,402,208	1,493,073
Net assets, end of year	\$ (33,060)	\$ 1,084,165	\$ 1,051,105

See accompanying notes to the consolidated financial statements.