JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Financial Statements

Year Ended December 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Directors of Justice Centre for Constitutional Freedoms

We have audited the accompanying financial statements of Justice Centre for Constitutional Freedoms, which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenditures, changes in net assets 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In common with many non-profit entities, the organization derives revenues from donations and other fund-raising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations and other fund-raising revenue, excess revenue over disbursements , cash or net assets.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Justice Centre for Constitutional Freedoms as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the organization adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements. As there were no changes to the prior financial statements as restated, the prior year financial statements are included for comparative purposes but it should be noted that they were prepared by another accounting firm.

Calgary, Alberta
April 14, 2013

Chartered Accountants

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Financial Position

December 31, 2012

	2012	2011
Assets		
Current		
Cash	$ **17,002**	$ 54,761
GST receivable	**5,138**	4,139
	$ **22,140**	$ 58,900
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *(Note 5)*	$ **31,548**	$ 8,026
Net assets		
Unrestricted fund	**(9,408)**	50,874
Liabilities and net assets	$ **22,140**	$ 58,900

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS
Statement of Revenues and Expenditures
Year Ended December 31, 2012

		2012		2011
Revenue				
Donations	$	**234,869**	$	269,776
Expenses				
Litigation expenses *(Note 5)*		**165,503**		159,695
Education program		**48,985**		-
Advertising, promotion and fundraising		**29,982**		40,529
Office and administration		**20,183**		8,268
Website maintenance and development		**12,990**		-
Travel		**5,474**		-
GST expense		**5,138**		4,139
Bookkeeping and audit		**4,650**		4,738
Vehicle and parking		**1,263**		1,153
Insurance		**775**		850
Interest and bank charges		**299**		436
		295,242		219,808
Excess (deficiency) of revenue over expenses from operations		**(60,373)**		49,968
Other income				
Interest income		**91**		97
Excess (deficiency) of revenue over expenses	$	**(60,282)**	$	50,065

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS
Statement of Changes in Net Assets
Year Ended December 31, 2012

		2012		2011
Net assets - beginning of year	**$**	**50,874**	$	809
Deficiency of revenue over expenses		**(60,282)**		50,065
Net assets - end of year	**$**	**(9,408)**	$	50,874

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Cash Flows

Year Ended December 31, 2012

		2012		2011
Operating activities				
Excess (deficiency) of revenue over expenses	$	**(60,282)**	$	50,065
Changes in non-cash working capital:				
Accounts receivable		-		920
Accounts payable and accrued liabilities		**23,522**		2,854
GST receivable		**(999)**		(4,139)
		22,523		(365)
Increase (decrease) in cash flow		**(37,759)**		49,700
Cash - beginning of year		**54,761**		5,061
Cash - end of year	$	**17,002**	$	54,761
Cash flows supplementary information				
Interest received	$	**(91)**	$	(97)
Interest and bank charges paid	$	**300**	$	435
Income taxes paid	$	-	$	-

See notes to financial statements

1. NATURE OF OPERATIONS

The Justice Centre for Constitutional Freedoms ("JCCF" or the "Organization") was incorporated in October 2010 under the Canada Corporation Act as a not for profit organization. The mission of JCCF is to protect and promote Canada's core principles of freedom and equality through education and litigation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principals for not-for-profit organizations.

Changes in accounting policies

Effective January 1, 2012 JCCF adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian Accounting Standards for Not-For-Profit Organizations (ASNFPO). These are the Organization's first financial statements prepared in accordance with ASNFPO and the transitional provision of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening ASNFPO balance sheet at January 1, 2011 (the Organization's date of transition).

The adoption of ASNFPO resulted in no changes to the December 31, 2011 financial statements and no changes to the financial statements on the date of transition. Therefore, a comparative balance sheet for the date of transition has not been included.

Revenue recognition

The Justice Centre for Constitutional Freedoms follows the deferral method of accounting for contributions.

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 reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

All other receipts are recognized as revenue when they are received.

Measurement uncertainty

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 amount 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 period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed and Volunteer Services

Volunteers may contribute their time to assist the Organization in carrying out its operating activities. As it is difficult to determine the fair value of the services provided, these services have not been recorded within these financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include cash and GST receivable.

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

There were no financial assets measured at fair value.

3. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization is not exposed to significant credit risk as it only records revenues from its activities when received, as the completeness of revenue is uncertain until collected.

Currency Risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is not exposed to foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Organization will incur difficulties meeting its financial obligations as they are due. The Organization's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Organization's reputation.

The Organization currently has negative net assets and its ability to continue as a going concern resides with its ability to generate further donations from its supporter base.

Market risk

Market risk consists of commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Organization is exposed to changes in commodity prices impacted by world economic events as it impacts it donors willingness to give. Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Organization is exposed to interest rate fluctuations on its cash balances as the rate of interest is at a floating rate or at short-term fixed rates.

4. ECONOMIC DEPENDENCE

The JCCF's ongoing operations depend entirely on fundraising results.

5. RELATED PARTY TRANSACTIONS

Included in litigation fees for the year are $118,400 (2011 - $95,306) of legal expenses paid to John V. Carpay Professional Association, which is owned by John Carpay, President of JCCF. Included in accounts payable and accrued liabilities was $26,250 (2011 - NIL) related to these amounts.

6. LEASE COMMITMENT

To date, the JCCF has conducted its operations using donated office space. This is expected to continue through to the end of 2013.