

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Financial Statements

Year Ended December 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Directors of Justice Centre for Constitutional Freedoms

Qualified Opinion

We have audited the financial statements of Justice Centre for Constitutional Freedoms (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year 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 our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of 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 contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

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 the Organization in accordance with 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 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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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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:

- 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 Organization'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 Organization'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 Organization 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.

Adams MacFarlane

Calgary, Alberta
June 21, 2021

Chartered Professional Accountants

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS**Statement of Financial Position****December 31, 2020**

	2020	2019
Assets		
Current		
Cash	\$ 1,680,493	\$ 1,225,205
Marketable securities <i>(Note 2)</i>	32,491	-
Goods and services tax recoverable	29,330	29,285
	<u>\$ 1,742,314</u>	<u>\$ 1,254,490</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 60,322	\$ 66,736
Employee deductions payable	21,915	17,345
	<u>82,237</u>	<u>84,081</u>
Net assets	<u>1,660,077</u>	<u>1,170,409</u>
	<u>\$ 1,742,314</u>	<u>\$ 1,254,490</u>

Lease commitments *(Note 6)***ON BEHALF OF THE BOARD**_____
*Director*_____
Director

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Operations Year Ended December 31, 2020

	2020	2019
Revenue	\$ 2,636,295	\$ 1,947,303
Expenses		
Litigation program <i>(Note 4)</i>	1,286,320	962,346
Education program <i>(Note 4)</i>	399,916	375,978
Advertising, promotion and fundraising	238,605	185,213
Office and administration <i>(Note 4)</i>	145,709	167,794
GST expense	29,890	29,516
Bank charges and credit card fees	17,018	10,377
Bookkeeping, audit and accounting software	15,046	11,743
Website maintenance and development	13,223	13,974
Insurance	2,536	1,550
Travel and conferences	1,250	2,813
Vehicle and parking	320	334
	2,149,833	1,761,638
Excess of revenue over expenses from operations	486,462	185,665
Other income (expenses)		
Interest and investment income	3,604	8,002
Unrealized gain (loss) on marketable securities	-	31,373
Loss on sale of marketable securities	(398)	(1,922)
	3,206	37,453
Excess of revenue over expenses	\$ 489,668	\$ 223,118

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS**Statement of Changes in Net Assets****Year Ended December 31, 2020**

	2020	2019
Net assets - beginning of year	\$ 1,170,409	\$ 947,291
Excess of revenue over expenses	<u>489,668</u>	<u>223,118</u>
Net assets - end of year	<u>\$ 1,660,077</u>	<u>\$ 1,170,409</u>

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Statement of Cash Flows Year Ended December 31, 2020

	2020	2019
Operating activities		
Excess of revenue over expenses	\$ 489,668	\$ 223,118
Items not affecting cash:		
Loss on disposal of investments	398	1,922
Unrealized gain (loss) on marketable securities	-	(31,373)
Donations received as gifts in-kind	(42,367)	(1,050)
Office and administration expensed from gifts in-kind	500	1,050
	<u>448,199</u>	<u>193,667</u>
Changes in non-cash working capital:		
Goods and services tax recoverable	(45)	(7,215)
Accounts payable and accrued liabilities	(6,414)	53,230
Employee deductions payable	4,570	11,853
	<u>(1,889)</u>	<u>57,868</u>
Cash flow from operating activities	<u>446,310</u>	<u>251,535</u>
Investing activities		
Proceeds from sale of marketable securities	8,978	838,461
Purchase of marketable securities	-	(150,000)
Cash flow from investing activities	<u>8,978</u>	<u>688,461</u>
Increase in cash flow	455,288	939,996
Cash - beginning of year	<u>1,225,205</u>	<u>285,209</u>
Cash - end of year	<u>\$ 1,680,493</u>	<u>\$ 1,225,205</u>

See notes to financial statements

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Notes to Financial Statements Year Ended December 31, 2020

1. PURPOSE OF THE ORGANIZATION

The Justice Centre for Constitutional Freedoms ("JCCF" or the "Organization") is a not-for-profit organization incorporated federally under the Canada Corporation Act on October 4, 2010 and continued under the Canada Not-for-profit Corporations Act. As a registered charity the Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

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

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Cash and cash equivalents

Cash includes cash funds held at the entity's bank and any term deposits with a maturity date less than 90 days.

Marketable securities

Marketable securities, which consist primarily of public company shares and mutual funds, are carried at fair market value.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	55%	declining balance method
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The Organization regularly reviews its property and equipment to eliminate obsolete items.

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 include allowance for doubtful accounts, estimated life of capital assets, and some accruals which 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.

Goods and Services Tax

Contributed materials and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

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JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Notes to Financial Statements Year Ended December 31, 2020

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

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.

Investment income is recognized as revenue in the year in which it was earned.

All other donations and receipts are recognized as revenue when they are received. Donations received by mail within two weeks following year-end are recorded as revenue in the current year as long as the cheque and envelope are dated in December.

Donated goods

Donated goods (including publicly traded securities) are recorded at their fair market value at the time of the donation. During the year, \$42,367 (2019 - \$1,050) in goods were donated.

Contributed and Volunteer Services

The JCCF benefits from pro bono legal assistance and advice received from more than 20 lawyers across Canada. The fair market value of these legal services is difficult to calculate with accuracy, and 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.

Marketable securities are measured at fair value.

3. ECONOMIC DEPENDENCE

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

4. RELATED PARTY TRANSACTIONS

Included in the expenditure categories litigation program, education program, and office and administration are \$299,000 (2019 - \$267,300) of expenses paid to John V. Carpay Professional Corporation, which is owned by John Carpay, President of JCCF.

5. DONATED OFFICE SPACE

To date, the JCCF has conducted its operations using donated office space. No value of this donated space has been recorded in the records of JCCF.

JUSTICE CENTRE FOR CONSTITUTIONAL FREEDOMS

Notes to Financial Statements Year Ended December 31, 2020

6. LEASE COMMITMENTS

The Organization has an operating lease with respect to equipments. The lease term is from May 25, 2019 to November 30, 2024. Future minimum lease payments as at December 31, 2020, are as follows:

2021	\$	7,746
2022		7,746
2023		7,746
2024		5,934
	\$	29,172

7. 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 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 arises 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 an organization may 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.

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 its donors' willingness to give. JCCF's marketable securities are subject to market risk as the value of the underlying mutual funds change daily. 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.