

# **International Justice Mission Canada**

## **Financial Statements**

***For the year ended December 31, 2018***

# **International Justice Mission Canada**

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***For the year ended December 31, 2018***

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## Independent Auditor's Report

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To the Members of INTERNATIONAL JUSTICE MISSION CANADA

### Qualified Opinion

We have audited the accompanying financial statements of INTERNATIONAL JUSTICE MISSION CANADA (the Organization), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and changes in fund balances 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, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and cash receipts, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to contributions and fundraising events, excess of revenue over expenditures, 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. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in 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 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 audit opinion.

### Emphasis of Matter - Restated Comparative Information

We draw attention to Note 13 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's

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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.

#### **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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario  
April 8, 2019





# International Justice Mission Canada

## Statement of Financial Position

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	December 31 2018 \$	(note 13) December 31 2017 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	387,784	59,636	-	447,420	602,434
Short-term investments (note 2)	-	-	-	-	200,012
Accounts receivable	35,694	-	-	35,694	24,886
Inventory	9,372	-	-	9,372	12,445
Prepaid expenses (note 7)	39,990	484,857	-	524,847	174,551
	472,840	544,493	-	1,017,333	1,014,328
<b>Capital assets (note 3)</b>	-	-	42,190	42,190	16,009
<b>Other assets - long term security deposit on lease</b>	5,000	-	-	5,000	5,000
	<b>477,840</b>	<b>544,493</b>	<b>42,190</b>	<b>1,064,523</b>	<b>1,035,337</b>
<b>Liabilities and fund balances</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities (note 4)	385,047	-	-	385,047	233,497
<b>Fund balances</b>					
Unrestricted	92,793	-	-	92,793	444,510
Internally restricted - invested in capital assets	-	-	42,190	42,190	16,009
Restricted (schedule 1)	-	544,493	-	544,493	341,321
	92,793	544,493	42,190	679,476	801,840
	<b>477,840</b>	<b>544,493</b>	<b>42,190</b>	<b>1,064,523</b>	<b>1,035,337</b>

Approved by the Board of Directors:

 Director

 Director

The accompanying notes form an integral part of these financial statements.

# International Justice Mission Canada

## Statement of Operations and Changes in Fund Balances For the year ended December 31

					(note 13)
	Operating	Restricted	Capital	2018	2017
	Fund	Funds	Fund	Total	Total
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Contributions	3,434,506	3,287,890	-	6,722,396	6,358,164
Fundraising events	31,481	-	-	31,481	11,810
Honoraria and travel reimbursements	28,220	-	-	28,220	44,302
Sale of resource materials	2,656	-	-	2,656	2,265
Interest	2,167	-	-	2,167	5,036
	<u>3,499,030</u>	<u>3,287,890</u>	<u>-</u>	<u>6,786,920</u>	<u>6,421,577</u>
<b>Expenditures</b>					
Program activities					
Overseas and general casework	124,609	4,269,872	398	4,394,879	5,494,551
Education	686,709	1,983	3,366	692,058	778,882
	<u>811,318</u>	<u>4,271,855</u>	<u>3,764</u>	<u>5,086,937</u>	<u>6,273,433</u>
Fund development	1,178,160	-	3,366	1,181,526	938,229
General and administrative support	639,627	-	1,194	640,821	743,035
	<u>2,629,105</u>	<u>4,271,855</u>	<u>8,324</u>	<u>6,909,284</u>	<u>7,954,697</u>
Excess (deficiency) of revenue over expenditures	869,925	(983,965)	(8,324)	(122,364)	(1,533,120)
Fund balances, beginning of year	601,179	341,321	16,009	958,509	2,334,960
Prior period adjustment (note 13)	(156,669)	-	-	(156,669)	-
Fund balances, beginning of year, as restated	444,510	341,321	16,009	801,840	2,334,960
Interfund transfers	(1,221,642)	1,187,137	34,505	-	-
Fund balances, end of year	<u>92,793</u>	<u>544,493</u>	<u>42,190</u>	<u>679,476</u>	<u>801,840</u>

The accompanying notes form an integral part of these financial statements.

# International Justice Mission Canada

## Statement of Cash Flows For the year ended December 31

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2018 Total \$	(note 13) 2017 Total \$
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Excess (deficiency) of revenue over expenditures	869,925	(983,965)	(8,324)	(122,364)	(1,533,120)
Transfers among funds	(1,221,642)	1,187,137	34,505	-	-
Amortization	-	-	8,324	8,324	6,414
Change in non-cash working capital (note 5)	127,446	(333,927)	-	(206,481)	1,462,354
	<u>(224,271)</u>	<u>(130,755)</u>	<u>34,505</u>	<u>(320,521)</u>	<u>(64,352)</u>
<b>Investing activities</b>					
Purchase of capital assets	-	-	(34,505)	(34,505)	(13,029)
<b>Net decrease in cash</b>	<u>(224,271)</u>	<u>(130,755)</u>	<u>-</u>	<u>(355,026)</u>	<u>(77,381)</u>
<b>Cash, beginning of year</b>	<u>612,055</u>	<u>190,391</u>	<u>-</u>	<u>802,446</u>	<u>879,827</u>
<b>Cash, end of year</b>	<u><u>387,784</u></u>	<u><u>59,636</u></u>	<u><u>-</u></u>	<u><u>447,420</u></u>	<u><u>802,446</u></u>
<b>Represented by:</b>					
Cash	387,784	59,636	-	447,420	602,434
Short-term investments	-	-	-	-	200,012
	<u><u>387,784</u></u>	<u><u>59,636</u></u>	<u><u>-</u></u>	<u><u>447,420</u></u>	<u><u>802,446</u></u>

The accompanying notes form an integral part of these financial statements.

# International Justice Mission Canada

## Notes to the Financial Statements

December 31, 2018

### 1. Nature of Organization and summary of significant accounting policies

a) International Justice Mission Canada (the "Organization") protects the poor from violence throughout the developing world.

International Justice Mission Canada was incorporated, without share capital, under the Canada Corporations Act on August 14, 2002 and continued under the Canada Not-for-Profit Corporations Act on May 20, 2014. The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

#### b) Basis of accounting

The financial statements have been prepared by management using Canadian Accounting Standards for Not-for-Profit Organizations.

#### c) Restricted fund accounting

The financial statements of the Organization are maintained in accordance with the restricted fund method of accounting. All financial statement transactions have been recorded in three funds: Operating, Restricted, and Capital.

- The Operating Fund reports the assets, liabilities, revenue, and expenditures relating to program and administrative activities of the Organization that are supported by unrestricted contributions.
- The Restricted Fund reports the assets, liabilities, revenue, and expenditures related to the Organization's programs and activities that are supported by externally restricted contributions.
- The Capital Fund reports the assets, liabilities, revenue, and expenditures related to the Organization's capital assets.

#### d) Revenue recognition

Unrestricted contributions are recognized as revenue in the Operating Fund and restricted contributions are recognized as revenue in the Restricted Fund in the year received or postmarked by mail. Other forms of income, such as sales or investment income, are recognized as earned.

#### e) Contributed services

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.



# International Justice Mission Canada

## Notes to the Financial Statements

December 31, 2018

### f) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates are recorded at fair value, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

### g) Inventory

Inventory is comprised of resources such as books and DVDs which are sold and used for promotional and educational purposes. The items are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### h) Capital assets

Capital assets are recorded at cost. Amortization expense is reported in the Capital Fund on a straight-line basis over the estimated useful lives of capital assets. Amortization rates are as follows:

Furniture	7 years
Computer software	3 years
Computer and office equipment	3 years
Leasehold improvements	Over lease term

Purchased items that do not meet the criteria for capitalization are expensed in the Statement of Operations.

### i) Use of 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates. Estimates include the useful lives of capital assets.

# International Justice Mission Canada

## Notes to the Financial Statements

December 31, 2018

### j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the end of the year. Transactions during the year are translated at exchange rates in effect at the date of the transaction. Exchange gains and losses occurring from the date of the transaction to the date of payment are reflected in the Statement of Operations.

### k) Allocation of expenditures

The Organization provides various programs and services around the world. The direct costs of each program include the salaries and benefits, supplies and other expenditures that are related to providing the program. The Organization also incurs a number of indirect costs that are related to the administration and support of its programs. The Organization allocates certain general support expenditures, such as management and administrative wages, occupancy, insurance and telephone costs, to its various programs as follows:

Salaries and wages are allocated based on the actual hours spent on the various programs. Occupancy and telephone costs are allocated based on the proportionate time spent by staff on each program or support activity.

## 2. Short-term investments

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
Redeemable Term Deposits	-	-	200,000	200,000
Accrued Interest on Deposits	-	-	12	12
	-	-	200,012	200,012

# International Justice Mission Canada

## Notes to the Financial Statements

December 31, 2018

### 3. Capital assets

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2018 Net book value</b>	<b>2017 Net book value</b>
	\$	\$	\$	\$
Furniture	43,540	40,658	2,882	5,151
Computer software	13,029	6,514	6,515	10,858
Computer and office equipment	34,931	26,366	8,565	-
Leasehold improvements	35,298	11,070	24,228	-
	<u>126,798</u>	<u>84,608</u>	<u>42,190</u>	<u>16,009</u>

Amortization charges for the year are \$8,324 (2017 - \$6,414).

### 4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$2,369 (2017 - \$1,800) in government remittances payable.

### 5. Change in non-cash working capital

Changes in non-cash working capital in the Statement of Cash Flows are comprised as follows:

	<b>2018 Operating</b>	<b>2018 Restricted</b>	<b>2017</b>
	\$	\$	\$
Accounts receivable	(10,808)	-	107
Inventory	3,073	-	(4,024)
Prepaid expenses	(16,369)	(333,927)	1,283,222
Accounts payable and accrued liabilities	151,550	-	183,049
	<u>127,446</u>	<u>(333,927)</u>	<u>1,462,354</u>

# International Justice Mission Canada

## Notes to the Financial Statements

December 31, 2018

### 6. Group retirement savings plan

The Organization contributes to a group retirement savings plan for permanent employees. Contributions range from 3% to 6% of cash earnings, depending on the employee's contribution to the plan. Employer contributions during the year were \$84,407 (2017 - \$75,337).

### 7. Contractual agreement and obligation

The Organization conducts its overseas programs under a Contract for Services with International Justice Mission dated January 1, 2009. During the year, contract payments were expensed totalling \$4,208,415 (2017 - \$5,267,389). Prepaid Expenses includes \$484,857 (2017 - \$150,930 used in 2018) in contract payments to be used in 2019. The Organization has agreed to pay \$1,576,032 (in US dollars) for work to be completed by International Justice Mission in the period January 1, 2019 to December 31, 2019. The Organization is exposed to exchange rate fluctuations and the associated risk when making payments under the Contract for Services.

### 8. Commitments

The Organization entered into a five year lease agreement for office space effective May 1, 2010. That lease has now been extended to May 31, 2021, and includes additional square footage. Lease payments, net of recoverable sales and property taxes are expected to be as follows:

2019	\$125,000
2020	\$125,000
2021	\$ 52,000

### 9. Allocation of expenditures

In accordance with the allocation policy described in note 1, \$229 of indirect costs were allocated to restricted funds in 2018 (2017 - \$754).

### 10. Operating line of credit

The Organization has established a bank operating line of credit of up to \$300,000, bearing interest at prime plus 1%. The operating line is secured by a general security agreement providing a charge on all assets of the Organization. The operating line is undrawn at December 31, 2018.

# International Justice Mission Canada

## Notes to the Financial Statements

December 31, 2018

### 11. Remuneration to employees involved in raising funds

The Alberta Charitable Fundraising Act requires that organizations report the remuneration paid to employees whose duties involve fundraising. The Organization paid salaries and benefits during the year totaling \$455,781 (2017 - \$393,386) to employees for their work in raising funds.

### 12. Financial instrument 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 exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. It is also exposed to interest rate risk through its variable rate operating line of credit.

#### Liquidity risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value that is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

#### Market risk

The Organization is exposed to fluctuations in foreign exchange rates on its Contract for Services with International Justice Mission.

### 13. Prior period adjustment

During the year, the Organization determined that accrued liabilities were understated at December 31, 2017 by \$156,669 resulting in an understatement of prior year deficiency of revenue over expenditures and an overstatement of unrestricted fund balances. The prior year amounts have been restated to reflect the correction.

# International Justice Mission Canada

## Schedule 1 - Restricted Funds For the year ended December 31, 2018

Fund Name	Beginning of Year \$	Revenue \$	Expenditures \$	Transfer(to)from Unrestricted \$	Interfund Transfers \$	End of Year \$
<b>Locations</b>						
Africa	-	97,444	219,569	99,804	22,321	-
India	3,680	617,994	1,064,481	148,476	294,331	-
Latin America	-	233,107	842,723	485,024	124,592	-
Southeast Asia	197,982	1,882,620	2,091,970	456,184	40,041	484,857
<b>Programs</b>						
Internship Program*	45,834	69,265	53,112	(2,351)	-	59,636
Sex Trafficking	93,825	244,345	-	-	(338,170)	-
Sexual Violence	-	29,880	-	-	(29,880)	-
Slavery	-	90,914	-	-	(90,914)	-
Theft of Land/Property	-	22,321	-	-	(22,321)	-
	341,321	3,287,890	4,271,855	1,187,137	-	544,493

*\*Funds donated for intern projects which are not needed for the project will be transferred to unrestricted up to certain maximums per intern.*

*The accompanying notes form an integral part of these financial statements.*