

International Justice Mission Canada

Financial Statements

For the year ended December 31, 2016

International Justice Mission Canada

Financial Statements ***For the year ended December 31, 2016***

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Independent Auditor's Report

To the Members of
INTERNATIONAL JUSTICE MISSION CANADA

We have audited the accompanying financial statements of INTERNATIONAL JUSTICE MISSION CANADA, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and changes in fund balances 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 an audit to obtain reasonable assurance 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenue from donations and cash receipts, 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. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of INTERNATIONAL JUSTICE MISSION CANADA as at December 31, 2016 and the results of its operations and changes in fund balances, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
April 11, 2017

International Justice Mission Canada

Statement of Financial Position

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	December 31 2016 \$	December 31 2015 \$
Assets					
Current assets					
Cash	529,807	-	-	529,807	317,379
Short-term investments (note 2)	101,510	248,510	-	350,020	575,119
Accounts receivable	24,993	-	-	24,993	32,439
Inventory	8,421	-	-	8,421	10,379
Prepaid expenses (note 7)	31,761	1,426,012	-	1,457,773	169,254
	696,492	1,674,522	-	2,371,014	1,104,570
Capital assets (note 3)	-	-	9,394	9,394	17,707
Other assets - long term security deposit on lease	5,000	-	-	5,000	5,000
	701,492	1,674,522	9,394	2,385,408	1,127,277
Liabilities and fund balances					
Current liabilities					
Accounts payable and accrued liabilities (note 4)	50,448	-	-	50,448	49,406
Fund balances					
Unrestricted	651,044	-	-	651,044	255,960
Internally restricted - Invested in capital assets	-	-	9,394	9,394	17,707
Restricted (schedule 1)	-	1,674,522	-	1,674,522	804,204
	651,044	1,674,522	9,394	2,334,960	1,077,871
	701,492	1,674,522	9,394	2,385,408	1,127,277

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

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2016 Total \$	2015 Total \$
Revenue					
Contributions	2,921,112	3,582,058	-	6,503,170	5,082,100
Fundraising events	17,185	-	-	17,185	11,987
Honoraria and travel reimbursements	31,008	-	-	31,008	30,955
Sale of resource materials	4,150	-	-	4,150	4,135
Interest	1,297	-	-	1,297	209
	<u>2,974,752</u>	<u>3,582,058</u>	<u>-</u>	<u>6,556,810</u>	<u>5,129,386</u>
Expenditures					
Program activities					
Overseas and general casework	146,523	3,202,673	831	3,350,027	2,367,538
Education	643,820	68	2,494	646,382	671,333
	<u>790,343</u>	<u>3,202,741</u>	<u>3,325</u>	<u>3,996,409</u>	<u>3,038,871</u>
Fund development	794,828	-	2,910	797,738	640,605
General and administrative support	503,496	-	2,078	505,574	484,792
	<u>2,088,667</u>	<u>3,202,741</u>	<u>8,313</u>	<u>5,299,721</u>	<u>4,164,268</u>
Excess (deficiency) of revenue over expenditures	886,085	379,317	(8,313)	1,257,089	965,118
Fund balances, beginning of year	255,960	804,204	17,707	1,077,871	112,753
Interfund transfers	(491,001)	491,001	-	-	-
Fund balances, end of year	<u>651,044</u>	<u>1,674,522</u>	<u>9,394</u>	<u>2,334,960</u>	<u>1,077,871</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 \$	2016 Total \$	2015 Total \$
Cash provided by (used in)					
Operating activities					
Excess (deficiency) of revenue over expenditures	886,085	379,317	(8,313)	1,257,089	965,118
Transfers among funds	(491,001)	491,001	-	-	-
Amortization	-	-	8,313	8,313	12,097
Change in non-cash working capital (note 5)	(6,969)	(1,271,104)	-	(1,278,073)	(367,334)
Net increase (decrease) in cash	388,115	(400,786)	-	(12,671)	609,881
Cash, beginning of year	243,202	649,296	-	892,498	282,617
Cash, end of year	631,317	248,510	-	879,827	892,498
Represented by:					
Cash	529,807	-	-	529,807	317,379
Short-term investments	101,510	248,510	-	350,020	575,119
	631,317	248,510	-	879,827	892,498

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

International Justice Mission Canada

Notes to the Financial Statements

December 31, 2016

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 is a non-profit organization incorporated without share capital under the Canada Corporations Act. It is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act 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.

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Notes to the Financial Statements

December 31, 2016

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 have been designated to be in the fair value category, 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 initial lease term)	5 years

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.

International Justice Mission Canada

Notes to the Financial Statements

December 31, 2016

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.

l) Leased assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Organization, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

2. Short-Term Investments

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
<i>Available for sale</i>				
Redeemable Term Deposits	350,000	350,000	575,000	575,000
Accrued Interest on Deposits	20	20	119	119
	<u>350,020</u>	<u>350,020</u>	<u>575,119</u>	<u>575,119</u>

The interest rate on the Redeemable Term Deposits is 0.75%, and the terms are 31 to 32 days each.

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Notes to the Financial Statements

December 31, 2016

3. Capital Assets

	Cost \$	Accumulated Amortization \$	2016 Net book value \$	2015 Net book value \$
Furniture	43,540	34,146	9,394	15,615
Computer Software	5,716	5,716	-	-
Computer and Office Equipment	24,654	24,654	-	2,092
Leasehold Improvements	11,070	11,070	-	-
	<u>84,980</u>	<u>75,586</u>	<u>9,394</u>	<u>17,707</u>

Amortization charges for the year are \$8,313 (2015 - \$12,097).

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$1,921 (2015 - \$2,048) 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:

	2016 Operating \$	2016 Restricted \$	2015 \$
Accounts receivable	7,446	-	(680)
Inventory	1,958	-	4,357
Prepaid expenses	(17,415)	(1,271,104)	(153,349)
Accounts payable	1,042	-	(217,662)
	<u>(6,969)</u>	<u>(1,271,104)</u>	<u>(367,334)</u>

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Notes to the Financial Statements

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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 \$65,555 (2015 - \$49,975).

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 \$3,121,303 (2015 - \$2,221,068). Prepaid Expenses includes \$1,426,012 in contract payments to be used in 2017 (2015 - \$154,908). The Organization has agreed to pay \$1,939,200 (in US dollars) for work to be completed by International Justice Mission in the period January 1, 2017 to December 31, 2017. 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, 2020. Lease payments, net of recoverable sales and property taxes are expected to be as follows:

2017	\$77,000
2018	\$77,000
2019	\$77,000
2020	\$33,000

9. Allocation of expenditures

In accordance with the allocation policy described in note 1, \$284 of indirect costs were allocated to restricted funds in 2016 (2015 - \$2,289).

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, 2016.

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December 31, 2016

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 \$390,354 (2015 - \$331,254) 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.

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Schedule 1 - Restricted Funds
For the year ended December 31, 2016

Fund Name	Beginning of Year \$	Revenue \$	Expenditures \$	Transfer(to)from Unrestricted \$	Interfund Transfers \$	End of Year \$
Locations						
Africa	-	53,864	189,317	121,680	13,773	-
India	-	320,540	663,948	116,453	343,215	116,260
Latin America	-	581,009	757,411	161,804	73,838	59,240
Southeast Asia	777,541	2,084,005	1,526,855	91,321	-	1,426,012
Programs						
Internship Program*	26,663	81,814	65,210	(257)	-	43,010
Sex Trafficking	-	272,011	-	-	(272,011)	-
Sexual Violence	-	73,838	-	-	(73,838)	-
Slavery	-	71,204	-	-	(71,204)	-
Theft of Land/Property	-	13,773	-	-	(13,773)	-
Other						
Operations	-	30,000	-	-	-	30,000
	804,204	3,582,058	3,202,741	491,001	-	1,674,522

**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.