

Financial Statements of

**JOURNALISTS FOR
HUMAN RIGHTS**

Years ended December 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Journalists for Human Rights

We have audited the accompanying financial statements of Journalists for Human Rights, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations and net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many not-for-profit organizations, Journalists for Human Rights derives revenue from donations, 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 Journalists for Human Rights. Therefore, we were not able to determine whether, as at December 31, 2012, December 31, 2011 and January 1, 2011, and for the years ended December 31, 2012 and December 31, 2011, any adjustments might be necessary to donation revenue and deficiency of revenue over expenses reported in the statements of operations and net assets, deficiency of revenue over expenses reported in the statements of cash flows and current assets and net assets and unrestricted net assets reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible 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 Journalists for Human Rights as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 24, 2013
Toronto, Canada

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Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash	\$ 174,458	\$ 158,304	\$ 269,953
Accounts receivable	168,798	24,872	11,541
Prepaid expenses	40,253	26,740	33,549
	<u>383,509</u>	<u>209,916</u>	<u>315,043</u>
Capital assets (note 3)	18,817	31,791	43,764
	<u>\$ 402,326</u>	<u>\$ 241,707</u>	<u>\$ 358,807</u>

Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 67,891	\$ 38,172	\$ 47,948
Current portion of deferred capital contribution	4,321	5,740	11,014
Deferred revenue	168,723	-	-
	<u>240,935</u>	<u>43,912</u>	<u>58,962</u>
Deferred capital contribution	6,369	8,278	7,342
Net assets:			
Unrestricted	155,022	189,517	292,503
Commitments and pledges (note 9)			
Subsequent event (note 9(a))			
	<u>\$ 402,326</u>	<u>\$ 241,707</u>	<u>\$ 358,807</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

 Director

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Statements of Operations and Net Assets

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Government grants	\$ 694,304	\$ 927,926
Foundation donations	293,841	243,969
Donations and contributions	361,840	152,313
	<u>1,349,985</u>	<u>1,324,208</u>
Expenses:		
International projects (note 5)	1,077,112	1,060,888
Project support (note 5)	76,641	98,497
Fundraising	138,197	77,674
Professional fees	14,032	16,111
School chapters project (note 5)	70,138	173,244
Exchange losses	8,360	780
	<u>1,384,480</u>	<u>1,427,194</u>
Deficiency of revenue over expenses	(34,495)	(102,986)
Net assets, beginning of year	189,517	292,503
Net assets, end of year	<u>\$ 155,022</u>	<u>\$ 189,517</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (34,495)	\$ (102,986)
Amortization which does not involve cash	13,873	26,148
Change in non-cash operating working capital:		
Accounts receivable	(143,926)	(13,331)
Prepaid expenses	(13,513)	6,809
Accounts payable and accrued liabilities	29,719	(9,776)
	(148,342)	(93,136)
Financing activities:		
Deferred capital contribution	(3,328)	(4,338)
Deferred revenue	168,723	—
	165,395	(4,338)
Investing activities:		
Additions to capital assets	(2,656)	(14,175)
Disposals to capital assets	1,757	—
	(899)	(14,175)
Increase (decrease) in cash	16,154	(111,649)
Cash, beginning of year	158,304	269,953
Cash, end of year	\$ 174,458	\$ 158,304

See accompanying notes to financial statements.

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Notes to Financial Statements

Years ended December 31, 2012 and 2011

Journalists for Human Rights ("JHR" or the "Organization") is a Canadian charitable organization and was federally incorporated on May 29, 2002 as a non-profit organization without share capital. The Organization is dedicated to informing people about their human rights through local media. Its objective is to improve the quality and quantity of human rights reporting by building the capacity of the media to report effectively on human rights issues. JHR operates in Africa and North America.

The Organization has been granted tax-exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada) and is, therefore, not subject to either federal or provincial income taxes.

On January 1, 2012, the Organization adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of The Canadian Institute of Chartered Accountants' ("CICA") Handbook. These are the first financial statements prepared in accordance with not-for-profit standards.

In accordance with the transitional provisions in not-for-profit standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying not-for-profit standards.

There were no adjustments to net assets at January 1, 2011 or deficiency of revenue over expenses for the year ended December 31, 2011 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, the most significant of which are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

- Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use.
- Unrestricted contributions received are recognized as income when received.
- Donation, pledges and bequests are recorded as income when the funds are received.
- Investment income is recognized as earned.

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(b) Fundraising:

The methods used for fundraising include telephone appeals, direct mail, grant proposals, special events, planned giving and internet appeals.

(c) Contributed materials and services:

The Organization recognizes the contribution of materials and services at fair value when it can be reasonably estimated, when it is used in the normal course of operations and would otherwise have been purchased. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(d) Capital assets:

- (i) Capital assets are stated at cost less accumulated amortization. Amortization is provided using the following annual rates and methods calculated to write off the assets over their estimated useful lives:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Computer software	Straight line	2 years
Vehicles	Straight line	3 years
Machinery and equipment	Straight line	5 years
Furniture and fixtures	Straight line	5 years
Leasehold improvements		Over the term of lease

Only 50% of the applicable amortization is recorded in the year of acquisition and in the year of disposal of the asset.

- (ii) When assets are purchased by the use of funds awarded from contributors over several years, any assets that remain the property of the contributor, and not JHR, are treated as a deferred capital contribution, where both an asset and an obligation for the purchased assets are recognized.

The deferred capital contribution is recognized over the life of the asset and recorded in international projects expense.

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Translation of foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the year end. Non-monetary assets and liabilities are translated at historical rates and revenue and expenses are translated at the rates of exchange in effect on the transaction dates. Exchange gains and losses arising on translation of monetary items are included in income in the year in which they occur.

(f) Financial instruments - recognition and measurement:

Financial instruments are recorded at fair value or initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Financial instruments:

(a) 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 obligations. The Organization's maximum exposure to credit risk at the statement of financial position date under its financial instruments is summarized as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Accounts receivable	\$ 168,798	\$ 24,872	\$ 11,541

All of the Organization's cash is held with a major financial institution and, thus, the exposure to credit risk is considered insignificant. Management actively monitors the Organization's exposure to credit risk under its financial instruments, including with respect to accounts receivable and loans receivable. The Organization considers the risk of loss to be minimal.

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Financial instruments (continued):

(b) Foreign currency risk:

The Organization is exposed to foreign currency risk at the statement of financial position date through the following financial assets and liabilities, which are denominated in U.S. dollars:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash	\$ 58,071	\$ 70,405	\$ 176,731

Based on the above net exposure at December 31, 2012, a 1% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximately \$581 increase or decrease in deficiency of revenue over expenses. The Organization currently has only limited exposure to fluctuations in exchange rates between the Canadian and U.S. dollar. Accordingly, the Organization has not employed any currency hedging programs during the current year.

3. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 35,672	\$ 24,648	\$ 11,024
Computer software	2,321	2,246	75
Vehicles	74,625	73,638	987
Machinery and equipment	12,362	7,295	5,067
Furniture and fixtures	13,342	11,678	1,664
Leasehold improvements	15,505	15,505	—
	\$ 153,827	\$ 135,010	\$ 18,817

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Capital assets (continued):

December 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 34,773	\$ 21,480	\$ 13,293
Computer software	2,321	2,032	289
Vehicles	74,625	71,323	3,302
Machinery and equipment	12,362	4,842	7,520
Furniture and fixtures	13,342	9,056	4,286
Leasehold improvements	15,505	12,404	3,101
	<u>\$ 152,928</u>	<u>\$ 121,137</u>	<u>\$ 31,791</u>

January 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 26,016	\$ 16,165	\$ 9,851
Computer software	2,018	1,831	187
Vehicles	73,275	59,299	13,976
Machinery and equipment	9,186	2,745	6,441
Furniture and fixtures	12,753	6,492	6,261
Leasehold improvements	15,505	8,457	7,048
	<u>\$ 138,753</u>	<u>\$ 94,989</u>	<u>\$ 43,764</u>

In 2012, a total of \$5,983 (2011 - \$4,338) of deferred capital contributions were recognized into income to offset the amortization expense of the corresponding assets.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$2,531 (December 31, 2011 - \$2,302; January 1, 2011 - \$3,849), which includes amounts payable for HST and payroll related taxes.

5. Allocation of expenses:

The Organization classifies expenses on the statement of operations and net assets by function. Project support expenses are allocated by identifying the appropriate basis and applying that basis consistently each year.

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

5. Allocation of expenses (continued):

Project support expenses of \$127,237 (2011 - \$282,627) including operations, human resources and facilities have been allocated as follows:

	2012	2011
International projects	\$ 37,947	\$ 110,192
School chapters project	12,649	73,938
Project support	76,641	98,497
	<u>\$ 127,237</u>	<u>\$ 282,627</u>

6. Department for International Development ("DFID") grant:

During 2008, the Organization was approved for a five-year grant from the DFID in the United Kingdom, for use in funding the Organization's initiatives in Liberia. The following table summarizes the revenue received in 2012 and the expenses against which the revenue was applied related to this grant:

	GBP	CAD
Opening balance, January 1, 2012	£ 14,589	\$ 21,755
Grant funding received in 2012	201,436	315,515
Closing balance, total funds available	<u>£ 216,025</u>	<u>\$ 337,270</u>
Revenue recognized, December 31, 2012	£ 245,918	\$ 385,181
Expenses:		
Project staff- remuneration	£ 66,378	\$ 103,970
Project staff - other administrative costs	4,487	7,029
Overseas expenses:		
Administration	66,014	103,400
Work related expenses	4,905	7,682
Curriculum development	288	452
Senior trainer led workshop	50,223	78,666
Other	37,359	58,516
Recruitment and training	9,349	14,644
Travel	20,738	32,482
	<u>259,741</u>	<u>406,841</u>
Deficiency of revenue over expenses	<u>£ (13,823)</u>	<u>\$ (21,660)</u>
Account receivable	£ 43,716	\$ 69,571

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Grant from AusAID:

During 2011, the Organization was approved for a one year grant from AusAID in Australia, for use in funding the Organization's initiative in Democratic Republic of Congo. The full amount of the grant was received in 2011. The following table summarizes the expenses incurred for 2012 in Australian dollars ("AUD") and Canadian dollars ("CAD") against which the revenue was applied related to this grant.

	AUD	CAD
Opening balance of 2011 funds received	\$ 27,367	\$ 28,981
Expenses:		
Salaries	15,817	16,750
Support costs	6,972	7,383
Travel costs	3,481	3,686
Miscellaneous costs	3,245	3,437
	29,515	31,256
Deficiency of revenue over expenses	\$ (2,148)	\$ (2,275)

During 2012, the Organization was approved for a second one year grant from AusAID in Australia, for use in funding the Organization's initiative in Democratic Republic of Congo. The following table summarizes the revenue received in 2012 and expenses for 2012 in Australian dollars ("AUD") and Canadian dollars ("CAD") against which the revenue was applied related to this grant.

	AUD	CAD
Total grant received in 2012	\$ 100,000	\$ 105,318
Revenue recognized, December 31, 2012	\$ 76,600	\$ 80,631
Expenses:		
Salaries	41,952	44,182
Support costs	4,352	4,583
Travel costs	13,066	13,761
Miscellaneous costs	17,230	18,147
Exchange gain	—	(42)
	76,600	80,631
Excess of revenue over expenses	\$ —	\$ —
Deferred revenue	\$ 23,400	\$ 24,687

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

8. National Endowment for Democracy ("NED") grant:

During 2012, the Organization was approved for another one year grant from NED in the United States, for use in funding the Organizations initiatives in the Democratic Republic of Congo. The following table summarizes the revenue received in 2012 and expenses for 2012 in U.S. dollars ("USD") and Canadian dollars ("CAD") against which revenue was applied related to this grant:

	USD	CAD
Total funds received in fiscal 2012	\$ 32,500	\$ 32,487
Revenue recognized, December 31, 2012	\$ 22,721	\$ 22,704
Expenses:		
Salaries	11,788	11,779
Office space and utilities	4,766	4,762
Supplies and equipment	2,154	2,152
Communications and postage	576	576
Travel and per diem	579	578
Contractual/consultant services	1,153	1,153
Other direct costs	1,705	1,704
	22,721	22,704
Excess of revenue over expenses	\$ -	\$ -
Deferred revenue	\$ (9,779)	\$ (9,783)

9. Commitments and pledges:

(a) The following amounts were committed/pledged to the Organization by various government agencies, non-government organizations and individuals:

2013	\$ 585,559
2014	25,270
	\$ 610,829

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Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

9. Commitments and pledges (continued):

On March 7, 2013, the Organization was awarded a grant in the amount of \$206,400 with the Ontario Trillium Foundation. The full \$206,400 is scheduled to be received in fiscal 2013.

- (b) The Organization has committed to payments under an operating lease, excluding common area maintenance and realty taxes. The future minimum lease payments are as follows:

2013	\$ 23,529
2014	25,133
2015	25,668
2016	6,417
	<hr/>
	\$ 80,747
