

Financial Statements of

**JOURNALISTS FOR
HUMAN RIGHTS**

Year ended December 31, 2013



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

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 statement of financial position as at December 31, 2013, the statements of operations and net assets and cash flows for the year then ended, 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 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.



Page 2

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 and for the years ended December 31, 2013 and December 31, 2012, any adjustments might be necessary to donation revenue and deficiency of revenue over expenses reported in the statement of operations and net assets, deficiency of revenue over expenses reported in the statement of cash flows and current assets and net assets and unrestricted net assets reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2013.

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, 2013, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 30, 2014
Toronto, Canada

JOURNALISTS FOR HUMAN RIGHTS

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash	\$ 172,801	\$ 174,458
Accounts receivable	102,398	168,798
Prepaid expenses	7,188	40,253
	<u>282,387</u>	<u>383,509</u>
Capital assets (note 3)	12,360	18,817
	<u>\$ 294,747</u>	<u>\$ 402,326</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 43,172	\$ 67,891
Current portion of deferred capital contribution	2,243	4,321
Deferred revenue	171,281	168,723
	<u>216,696</u>	<u>240,935</u>
Deferred capital contribution	4,994	6,369
Net assets:		
Unrestricted	73,057	155,022
Commitments and pledges (note 10)		
	<u>\$ 294,747</u>	<u>\$ 402,326</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

_____ Director

JOURNALISTS FOR HUMAN RIGHTS

Statement of Operations and Net Assets

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Revenue:		
Government grants	\$ 781,667	\$ 694,304
Foundation donations	239,230	293,841
Donations and contributions	283,043	361,840
	<u>1,303,940</u>	<u>1,349,985</u>
Expenses:		
International projects (note 6)	895,870	1,077,112
Project support (note 6)	100,609	76,641
Fundraising (note 6)	162,079	138,197
Professional fees	19,499	14,032
School chapters project (note 6)	—	70,138
National programs (note 6)	210,700	—
Exchange losses (gains)	(2,852)	8,360
	<u>1,385,905</u>	<u>1,384,480</u>
Deficiency of revenue over expenses	(81,965)	(34,495)
Net assets, beginning of year	155,022	189,517
Net assets, end of year	<u>\$ 73,057</u>	<u>\$ 155,022</u>

See accompanying notes to financial statements.

JOURNALISTS FOR HUMAN RIGHTS

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (81,965)	\$ (34,495)
Amortization which does not involve cash	7,480	13,873
Change in non-cash operating working capital:		
Accounts receivable	66,400	(143,926)
Prepaid expenses	33,065	(13,513)
Accounts payable and accrued liabilities	(24,719)	29,719
	261	(148,342)
Financing activities:		
Deferred capital contribution	(3,453)	(3,328)
Deferred revenue	2,558	168,723
	(895)	165,395
Investing activities:		
Additions to capital assets	(1,023)	(2,656)
Disposals of capital assets	—	1,757
	(1,023)	(899)
Increase (decrease) in cash	(1,657)	16,154
Cash, beginning of year	174,458	158,304
Cash, end of year	\$ 172,801	\$ 174,458

See accompanying notes to financial statements.

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements

Year ended December 31, 2013

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.

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; and
- Investment income is recognized as earned.

(b) Fundraising:

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

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(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		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.

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

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.

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

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:

	2013	2012
Accounts receivable	\$ 102,398	\$ 168,798

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.

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

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:

	2013	2012
Cash	\$ 55,429	\$ 58,071

Based on the above net exposure at December 31, 2013, a 1% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximately \$554 (2012 - \$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 dollar and U.S. dollar. Accordingly, the Organization has not employed any currency hedging programs during the current year.

3. Capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 36,691	\$ 27,683	\$ 9,008	\$ 11,024
Computer software	2,325	2,322	3	75
Vehicles	74,625	74,624	1	987
Machinery and equipment	12,362	9,308	3,054	5,067
Furniture and fixtures	13,342	13,048	294	1,664
Leasehold improvements	15,505	15,505	—	—
	\$ 154,850	\$ 142,490	\$ 12,360	\$ 18,817

In 2013, a total of \$4,474 (2012 - \$5,983) of deferred capital contributions were recognized into income to offset the amortization expense of the corresponding assets.

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,084 (2012 - \$2,531), which includes amounts payable for harmonized sales tax and payroll-related taxes.

5. Credit facility:

The Organization has a line of credit in the amount of U.S \$50,000 (2012 - U.S. \$50,000), bearing interest of U.S. prime rate plus 4.25% per annum. The line of credit is secured by a general security agreement over the assets of the Organization. As at year end, no amount is outstanding against the line.

6. 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.

Project support expenses of \$201,539 (2012 - \$127,237), including operations, human resources and facilities have been allocated as follows:

	2013	2012
Fundraising	\$ 10,093	\$ -
International projects	70,651	37,947
School chapters project	-	12,649
Project support	100,609	76,641
National programs	20,186	-
	<u>\$ 201,539</u>	<u>\$ 127,237</u>

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. 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 2013 and the expenses in United Kingdom pounds ("GBP") and Canadian dollars ("CAD") against which the revenue was applied related to this grant:

	GBP	CAD
Opening balance, January 1, 2013	£ (44,233)	\$ (69,571)
Grant funding received in 2013	155,622	244,765
Closing balance, total funds available	£ 111,389	\$ 175,194
Revenue recognized, December 31, 2013	£ 111,389	\$ 175,194
Expenses:		
Project staff - remuneration	£ 37,985	\$ 59,744
Project staff - other administrative costs	2,359	3,711
Overseas expenses:		
Administration	35,883	56,438
Work-related expenses	6,104	9,600
Curriculum development	658	1,035
Senior trainer-led workshop	14,471	22,760
Other	9,940	15,632
Travel	1,799	2,829
Peace building event	2,190	3,445
	111,389	175,194
Deficiency of revenue over expenses	£ -	\$ -
Deferred revenue (accounts receivable)	£ -	\$ -

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

8. Grant from AusAID:

During 2012, the Organization was approved for a one-year grant from AusAID in Australia, for use in funding the Organization's initiative in the Democratic Republic of Congo. The following table summarizes the revenue received in 2013 and expenses for 2013 in Australian dollars ("AUD") and Canadian dollars ("CAD") against which the revenue was applied related to this grant.

	AUD	CAD
Opening balance of 2012 funds received	\$ 24,933	\$ 24,687
Expenses:		
Salaries	15,264	15,113
Support	4,097	4,056
Travel	3,705	3,669
Miscellaneous	1,867	1,849
	24,933	24,687
Deficiency of revenue over expenses	\$ -	\$ -
Deferred revenue (accounts receivable)	\$ -	\$ -

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

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

During 2012, the Organization was approved for a 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 2013 and expenses for 2013 in U.S. dollars ("USD") and Canadian dollars ("CAD") against which revenue was applied related to this grant:

	USD	CAD
Opening balance, January 1, 2013	\$ 9,616	\$ 9,783
Grant funding received in 2013	10,742	10,928
Closing balance, total funds available	\$ 20,358	\$ 20,711
Revenue recognized, December 31, 2013	\$ 20,358	\$ 20,711
Expenses:		
Salaries	5,825	5,926
Office space and utilities	2,450	2,492
Supplies and equipment	1,557	1,584
Communications and postage	672	684
Travel and per diem	1,470	1,495
Contractual/consultant services	2,931	2,982
Other direct costs	5,103	5,192
Bank fees	350	356
	20,358	20,711
Deficiency of revenue over expenses	\$ -	\$ -
Deferred revenue (accounts receivable)	\$ -	\$ -

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

9. National Endowment for Democracy ("NED") grant (continued):

During 2013, the Organization was approved for a second 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 2013 and expenses for 2013 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 2013	\$ 32,225	\$ 33,601
Revenue recognized, December 31, 2013	\$ 24,256	\$ 25,292
Expenses:		
Salaries	11,293	11,775
Office space and utilities	298	310
Supplies and equipment	2,715	2,831
Communications and postage	1,852	1,931
Travel and per diem	2,294	2,392
Contractual/consultant services	963	1,004
Other direct costs	4,841	5,049
	24,256	25,292
Excess of revenue over expenses	\$ 7,969	\$ 8,309
Deferred revenue	\$ 7,969	\$ 8,309

JOURNALISTS FOR HUMAN RIGHTS

Notes to Financial Statements (continued)

Year ended December 31, 2013

10. Commitments and pledges:

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

2014	\$ 247,846
2015	213,340
	<hr/> \$ 461,186 <hr/>

- (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:

2014	\$ 25,100
2015	25,700
2016	6,400
	<hr/> \$ 57,200 <hr/>