

Financial Statements of

**JOURNALISTS FOR
HUMAN RIGHTS**

Year ended December 31, 2009



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AUDITORS' REPORT

To the Board of Directors of Journalists for Human Rights

We have audited the statement of financial position of Journalists for Human Rights as at December 31, 2009 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many non-profit organizations, the Organization derives revenue from contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue 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 donations and contributions revenue, deficiency of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and net assets referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 28, 2010

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Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 198,614	\$ 227,757
Accounts receivable	10,388	11,789
Prepaid expenses	12,075	20,565
	<u>221,077</u>	<u>260,111</u>
Loan receivable	5,996	5,996
Capital assets (note 4)	60,003	92,503
	<u>\$ 287,076</u>	<u>\$ 358,610</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,503	\$ 30,147
Current portion of deferred capital contribution (note 1(a)(ii))	15,240	15,278
	<u>37,743</u>	<u>45,425</u>
Long-term liability:		
Deferred capital contribution (note 1(a)(ii))	9,549	24,921
Net assets:		
Unrestricted	239,784	288,264
Commitments and pledges (note 7)		
Subsequent events (notes 6 and 7)		
	<u>\$ 287,076</u>	<u>\$ 358,610</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

_____ Director

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Statement of Operations and Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Donated goods and services (note 5)	\$ 18,612	\$ 42,500
Foundation donations	195,667	199,100
Government grants	940,345	966,993
Donations and contributions	164,773	96,455
	<u>1,319,397</u>	<u>1,305,048</u>
Expenses:		
International projects (note 3)	1,004,870	992,745
Project support (note 3)	158,785	94,942
Fundraising	87,350	94,814
Professional fees	7,069	6,091
School chapters project (note 3)	103,530	86,222
	<u>1,361,604</u>	<u>1,274,814</u>
Exchange losses (gains)	6,273	(9,057)
	<u>1,367,877</u>	<u>1,265,757</u>
Excess (deficiency) of revenue over expenses	(48,480)	39,291
Net assets, beginning of year	288,264	248,973
Net assets, end of year	<u>\$ 239,784</u>	<u>\$ 288,264</u>

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (48,480)	\$ 39,291
Items not involving cash:		
Amortization	33,915	14,658
Unrealized foreign exchange gain	(319)	(3,452)
Change in non-cash operating working capital:		
Accounts receivable	1,401	(4,762)
Prepaid expenses	8,490	(9,315)
Accounts payable and accrued liabilities	(7,644)	13,865
	(12,637)	50,285
Financing activities:		
Deferred capital contribution	(15,410)	40,199
Investing activities:		
Additions to capital assets	(1,415)	(92,591)
Effect of exchange rates on cash held in foreign currencies	319	3,452
Increase (decrease) in cash	(29,143)	1,345
Cash, beginning of year	227,757	226,412
Cash, end of year	\$ 198,614	\$ 227,757

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended December 31, 2009

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.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the most significant of which are as follows:

(a) 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	Straight line	Lease term

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)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Organization follows the restricted fund method of accounting for contributions, of which none of the funds are subject to restrictions during fiscal 2009.

- 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.

The only funding that required deferral in recognition was received in prior years related to funding to purchase capital assets. The amount deferred as at December 31, 2009 was \$24,789 and described on the statement of financial position under current liabilities as current portion of deferred capital contribution and long-term liabilities as deferred capital contributions (note 1(a)(ii)).

(c) Fundraising:

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

(d) Contributed materials and services:

The Organization recognizes the contribution of materials and services at fair value, as described in note 4.

(e) Income taxes:

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.

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Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(f) 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.

(g) Financial instruments - recognition and measurement:

All financial instruments are classified into a defined category; namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. These classifications will determine how each instrument will be measured, at either fair value or, in limited circumstances, at cost or amortized cost and will determine how gains and losses are recognized.

The Organization has classified accounts receivable and loans receivable as loans and receivables which are measured at amortized cost. Accounts payable are classified as other financial liabilities which are measured at amortized cost using the effective interest method.

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Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(h) Financial instruments - disclosures and presentation:

In June 2009, The Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 3862, Financial Instruments - Disclosures, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The Organization's financial assets measured at fair value as at December 31, 2009, which include cash, are classified as Level 2.

(i) 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 years. Actual results could differ from those estimates.

(j) Change in accounting policies:

(i) Amendments to accounting standards for not-for-profit organizations:

Effective January 1, 2009, the Organization adopted the CICA amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. Adoption of these recommendations had no effect on the financial statements for the year ended December 31, 2009.

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Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

Effective January 1, 2009, the Organization adopted CICA Handbook Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations which establishes disclosure standards for entities that choose to classify their expenses by function and allocate expenses from one function to another. The applicable disclosure is included in note 3.

(ii) Amendments to Section 1000, Financial Statement Concepts ("Section 1000"):

Effective January 1, 2009, the Organization adopted the CICA amendments to Section 1000. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended December 31, 2009.

(iii) Credit risk and fair values of financial assets and liabilities:

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC provides guidance on evaluating credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of this EIC had no effect on the Organization's financial statements.

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 balance sheet date under its financial instruments is summarized as follows:

Cash	\$ 198,614
Amounts receivable	10,388
Loan receivable	5,996
	<hr/>
	\$ 214,998

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Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Financial instruments (continued):

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 amounts receivable and loans receivable. The Organization considers the risk of loss to be minimal.

(b) Foreign currency risk:

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

Cash	U.S.\$ 111,949
Net exposure	\$ 111,949

Based on the above net exposure at December 31, 2009, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximately \$11,700 increase or decrease in excess (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.

(c) Interest rate risk:

The Organization has no significant exposure at December 31, 2009 to interest rate risk through its financial instruments. The Organization has no interest-bearing debt.

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Notes to Financial Statements (continued)

Year ended December 31, 2009

3. 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 \$268,157 (2008 - 226,357) including operations, human resources and facilities have been allocated as follows:

	2009	2008
International projects	\$ 78,664	\$ 113,206
School chapters project	30,708	18,209
Project support	158,785	94,942
	<u>\$ 268,157</u>	<u>\$ 226,357</u>

4. Capital assets:

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 21,232	\$ 12,926	\$ 8,306	\$ 11,806
Computer software	1,768	1,484	284	308
Vehicles	67,293	37,590	29,703	52,178
Machinery and equipment	4,497	1,419	3,078	4,047
Furniture and fixtures	12,753	3,988	8,765	11,478
Leasehold improvements	15,505	5,638	9,867	12,686
	<u>\$ 123,048</u>	<u>\$ 63,045</u>	<u>\$ 60,003</u>	<u>\$ 92,503</u>

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Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Donated goods 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. The value of the contributed material and services is recognized in revenue.

The details of the contributed materials and services are as follows:

	2009	2008
Fundraising	\$ 9,612	\$ 8,319
Rent	–	15,000
Labour, consulting and management services	9,000	19,181
	<u>\$ 18,612</u>	<u>\$ 42,500</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 2009 and the expenses against which the revenue was applied related to this grant:

	2009	2008
Revenue	\$ 245,664	\$ 153,200 ⁽¹⁾
Expenses:		
Payroll	162,040	51,012
Travel	59,929	39,714
Seminars and workshops	71,253	5,332
Overseas office	70,865	8,580
Other	25,441	12,069
	<u>389,528</u>	<u>116,707</u>
Net revenue over expenses	<u>\$ (143,864)</u>	<u>\$ 36,493</u>
Capital contributions	\$ –	\$ 47,896

⁽¹⁾ Amount of total grants received from DFID less capital contributions used for the purchase of capital assets (note 1(a)(ii)) is included in government grants on the statements of operations and net assets.

Subsequent to the year end, the Organization received a further \$92,219 in grants from DFID.

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Notes to Financial Statements (continued)

Year ended December 31, 2009

7. Commitments and pledges:

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

	As at December 31, 2009	Amounts granted subsequent to year end	Total
2010	\$ 596,276	\$ 507,135	\$ 1,103,411
2011	388,439	404,004	792,443
2012	343,024	212,693	555,717
2013	159,718	7,500	167,218
2014	25,578	—	25,578
	<u>\$ 1,513,035</u>	<u>\$ 1,131,332</u>	<u>\$ 2,644,367</u>

On February 5, 2010, the Organization received a grant from a trust in the United Kingdom to provide £75,000 a year, for three years, for use in paying the various operation expenses incurred by the Organization in executing its projects worldwide.

On February 19, 2010, the Organization received a grant from the Canadian International Development Agency for \$600,000 over two years to send 40 young Canadians to Ghana and Malawi.

On February 26, 2010, the Organization received a grant from the Canadian International Development Agency for \$130,855 over two years to engage Canadian university students in the importance of international development work.

- (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:

2010	\$ 19,208
2011	4,802
	<u>\$ 24,010</u>

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Notes to Financial Statements (continued)

Year ended December 31, 2009

8. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.