

AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of Association in Defence of The Wrongly Convicted as at December 31, 2009 and the statement of operations and changes in fund balances and cash flows from September 1, 2009 to December 31, 2009. 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 charitable organizations, the organization derives revenue from membership fees, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of membership fees 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 revenues, excess (deficiency) of revenues over expenses, current assets and fund balances.

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 the revenues 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 from September 1, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

"FELDMAN & ASSOCIATES, LLP"

**Toronto, Canada
March 16, 2010**

Chartered Accountants

Financial Statements of

**ASSOCIATION IN DEFENCE OF THE
WRONGLY CONVICTED**

From September 1, 2009 to December 31, 2009

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Statement of Financial Position

December 31, 2009

(with comparative figures for August 31, 2009)

	Restricted	Unrestricted	Dec. 31, 2009	Aug 31, 2009
Assets				
Current:				
Cash and cash equivalents (note 4)	\$ 123,760	\$58,502	\$ 182,262	\$ 382,767
Accounts receivable	-	2,520	2,520	8,760
Prepaid expenses	-	12,305	12,305	1,346
Deposit in trust	10,200	-	10,200	10,200
Due from the Jur-Ed Foundation (note 7)	-	130	130	-
	133,960	73,457	207,417	403,073
Available for sale investments (note 5)	894,705	-	894,705	664,957
Property and equipment (note 6)	-	1,831	1,831	1,997
	\$1,028,665	\$75,288	\$1,103,953	\$1,070,027

Liabilities and Fund Balances

Current:				
Accounts payable and accrued liabilities	\$ -	\$37,522	\$37,522	\$ 19,789
Deferred funds (note 8)	-	14,075	14,075	21,374
	-	51,597	51,597	41,163
Commitments (note 9)				
Restricted funds (note 12)	1,028,665	-	1,028,665	1,015,859
Unrestricted funds	-	23,691	23,691	13,005
	1,028,665	23,691	1,052,356	1,028,864
	\$1,028,665	\$75,288	\$1,103,953	\$1,070,027

See accompanying notes to financial statements.

Approved on Behalf of the Board:

_____ Director

_____ Director

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Statement of Operations and Changes in Fund Balances

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

	Restricted	Unrestricted	Period ended Dec. 31, 2009	Year ended Aug 31, 2009
Revenue:				
Corporate and individual contributions	\$ -	\$ 18,893	\$ 18,893	\$1,043,414
Law Foundation	53,560	117,000	170,560	188,379
Other funding	-	-	-	28,831
Investment income	29,970	526	30,496	14,096
	<u>83,530</u>	<u>136,419</u>	<u>219,949</u>	<u>1,274,720</u>
Expenses:				
Rejuvenation project expenses	30,925	-	30,925	-
Case investigation expenses	8,505	-	8,505	17,916
Communications and outreach	-	124	124	1,843
Bank charges	-	352	352	1,092
Office and general	1,411	18,588	19,999	23,524
Professional fees	-	12,058	12,058	22,542
Rent	-	6,775	6,775	18,459
Salaries and benefits	22,634	75,687	98,321	171,273
Telephone	-	2,533	2,533	8,559
Mediation expense	-	-	-	24,993
Consulting	-	9,450	9,450	-
Amortization	-	166	166	1,673
	<u>63,475</u>	<u>125,733</u>	<u>189,208</u>	<u>291,874</u>
Excess of revenue over expenses	20,055	10,686	30,741	982,846
Fund balance, beginning of period	1,015,859	13,005	1,028,864	39,541
Unrealized gain (loss) on available for sale investments	(7,249)	-	(7,249)	6,477
Fund balance, end of period	\$1,028,665	\$ 23,691	\$1,052,356	\$1,028,864

See accompanying notes to financial statements.

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Statements of Cash Flows

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

	Restricted	Unrestricted	Period ended Dec. 31, 2009	Year ended Aug 31, 2009
Cash flows from operating activities:				
Excess of revenue over expenses	\$ 20,055	\$10,686	\$ 30,741	\$ 982,846
Adjustment for amortization	-	166	166	1,673
	20,055	10,852	30,907	984,519
Change in non-cash items:				
Accounts receivable	-	6,240	6,240	(3,760)
Prepaid expenses	-	(10,959)	(10,959)	-
Deposits in trust	-	-	-	(10,200)
Accounts payable and accrued liabilities	-	17,733	17,733	14,986
Due to/from The Jur-Ed Foundation	-	(130)	(130)	(1,871)
Deferred funds	-	(7,299)	(7,299)	(3,072)
Cash flows from operating activities	20,055	16,437	36,492	980,602
Cash flows from investing activities:				
Acquisition of property and equipment	-	-	-	(1,000)
Purchase of available for sale investments	(236,997)	-	(236,997)	(658,480)
Cash flows used in investing activities	(236,997)	16,437	(236,997)	(659,480)
Net increase (decrease) in cash	(216,942)	16,437	(200,505)	321,122
Cash and cash equivalents, beginning of period	340,702	42,065	382,767	61,645
Cash and cash equivalents, end of period	\$ 123,760	\$58,502	\$ 182,262	\$ 382,767
Supplemental cash flow information:				
Interest paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

1. Nature of the organization:

Association in Defence of The Wrongly Convicted ("AIDWYC") is registered as a non-for-profit organization. The purpose of the organization is to fund investigations into and assist in overturning cases of wrongful conviction; to provide legal assistance, support and counseling to persons wrongly convicted; and to facilitate the exchange of dissemination of research, information and ideas with respect to the criminal justice system, the administration of justice and the miscarriages of justice.

2. Summary of significant accounting policies:

a) Cash and cash equivalents:

Cash is comprised of cash on hand. Cash equivalents are short-term, liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to low risk of change in value. To limit its credit risk exposure in excess of insured amounts, the company places its deposits with financial institutions with high credit standing.

b) Property and equipment:

Property and equipment purchased are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer equipment	30%	Declining balance
Office equipment	20%	Declining balance

Amortization of property and equipment acquired during the year is recorded at one-half of the indicated rate.

c) Available for-sale investments:

Available for-sale investments are non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or held for trading. They are measured at fair value. Fair value is determined based on market prices. Unrealized gains and losses are recognized directly in an unrestricted/restricted fund balance.

d) Fund accounting:

Revenue and expenses related to the organization's service delivery and administration are reported in the unrestricted funds.

Revenue and expenses internally restricted are reported in the restricted funds.

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

2. Summary of significant accounting policies (continued):

e) Revenue recognition:

The organization follows the deferral method of accounting for revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for expenses of a future period are deferred and recognized as revenue in the same period as the related expenses are recognized.

Investment income is recognized as revenue when earned.

f) Contributed materials and services:

Contributed materials and services are not recognized in these financial statements, due to the difficulty in determining their fair value.

g) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the period in which they become known. Significant areas requiring the use of estimates relate to the recording of accruals, and estimates of useful lives of property and equipment.

h) Impairment of long-lived assets:

Property and equipment and other long-lived assets are regularly reviewed for impairment as well as whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value (net recoverable value). If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its net recoverable value. Any impairment results in a write-down of the asset and a charge to income during the year.

i) Income taxes:

The organization is a non-for-profit organization within the meaning of the Income Tax Act and as such is exempt from income taxes.

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

3. Recent accounting pronouncements:

Effective January 1, 2009, the Organization adopted prospectively the following new CICA Handbook accounting and reporting standards for annual and interim financial statements:

- a) In January 2009, the CICA's Emerging Issues Committee concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption. This abstract should be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. Retrospective application with restatement of prior periods is also permitted. The adoption of this standard did not impact the statement of operations and changes in fund balances of the Organization.
- b) The CICA Handbook Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. As a result, start-up costs must be expensed as incurred. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The adoption of this standard did not impact the statement of operations and changes in fund balances of the Organization.
- c) In June 2009, the Canadian Accounting Standards Board ("AcSB") issued the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, which reflect the corresponding amendments made by the International Accounting Standards Board to IFRS 7, Financial Instruments: Disclosures, in March 2009.

The amendments require that all financial instruments measured at fair value be presented into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- i) Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
- ii) Level 2: Valuation models which utilize predominately observable market inputs.
- iii) Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Section 3862 also require additional disclosure relating to the liquidity risk associated with financial instruments. The amendments improve disclosure of financial instruments specifically as it relates to fair value measurements and liquidity risk. The adoption of the amendments did not impact the statement of operations and changes in fund balances of the Organization.

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

3. Recent accounting pronouncements (continued):

d) Future Financial Reporting Standards:

At the September 23 & 24, 2008 meeting, the Accounting Standards Board (AcSB) decided that private enterprises would not be required to adopt the following sections:

- Section 1530, Comprehensive Income
- Section 1651, Foreign Currency Translation
- Section 3051, Investments
- Section 3251, Equity
- Section 3855, Financial Instruments - Recognition and Measurement
- Section 3862, Financial Instruments - Disclosures
- Section 3863, Financial Instruments - Presentation
- Section 3865, Hedges

Although, currently, these exemptions do not apply to not-for-profit organizations, the AcSB is undergoing further consultations on the future of reporting for not-for-profit organizations and may allow organizations to apply the standards for private enterprises. The outcome of these developments cannot be determined at this time.

4. Cash and cash equivalents:

Cash and cash equivalents consists of the following:

	Dec. 31, 2009	Aug. 31, 2009
Bank of Montreal – 30 day cashable GIC's	\$100,000	\$300,000
Cash	82,262	82,767
	<u>\$182,262</u>	<u>\$382,767</u>

5. Available for sale investments:

Available for sale investments portfolio includes range of government bonds, debt instruments and bank bonds.

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

6. Property and equipment:

	Cost	Accumulated amortization	Net book value Dec 31, 2009	Net book value Aug. 31, 2009
Computer equipment	\$ 7,581	\$ 6,705	\$ 876	\$ 974
Office equipment	5,136	4,181	955	1,023
	<u>\$12,717</u>	<u>\$10,886</u>	<u>\$1,831</u>	<u>\$1,997</u>

Amortization for the period amounted to \$166 (\$1,673 at Aug. 31, 2009).

7. Due from The Jur-Ed Foundation:

These amounts are non-interest bearing, unsecured and due on demand from a charity organization with similar directors in common with Association in Defence of the Wrongly Convicted.

8. Deferred funds:

The deferred funds of \$14,075 (\$21,374 in August 2009) represent funding received from the Law Foundation of Ontario for the modernization of office operations (rejuvenation project).

9. Commitments:

Future minimum annual rental payments for office premises and equipment are as follows:

2010	\$ 61,256
2011	90,608
2012	92,756
2013	94,905
2014	92,890
2015	92,890
	<u>\$525,305</u>

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

10. Financial instruments:

a) Liquidity risk:

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they become due. The organization ensures there is sufficient funds to meet its financial obligations as they become due.

b) Market risk:

The organization is not exposed to any significant market risk such as currency, interest rate or commodity price risk.

c) Fair Value of Financial Instruments

The fair value of financial instruments is summarized as follows:

	December 31, 2009		August 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
<i>Held for trading</i>				
Cash and cash equivalents	\$182,262	\$182,262	\$382,767	\$382,767
<i>Available for sale</i>				
Available for sale investments	894,705	894,705	664,957	664,957
<i>Loans and receivables</i>				
Accounts receivable	2,520	2,520	8,760	8,760
Deposit in trust	10,200	10,200	10,200	10,200
Due from The Jur-Ed Foundation	130	130	-	-
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	37,522	37,522	14,789	14,789

ASSOCIATION IN DEFENCE OF THE WRONGLY CONVICTED

Notes to Financial Statements

From September 1, 2009 to December 31, 2009
(with comparative figures for the year ended August 31, 2009)

11. Capital risk management:

The organization's main sources of capital are cash flows generated from operations, which includes contributions and funding. These cash flows are used to fund its capital expenditures, and working capital needs. The organization manages its capital reserve structure and makes adjustments to its operating activities to ensure that capital reserves are satisfactory to meet the needs of the organization giving consideration to varying economic conditions and the risk characteristics of the underlying assets. As of December 31, 2009, there are no externally imposed capital requirements for the Organization.

12. Restricted funds:

The restricted funds are made up of 2 items:

- a) \$1 million individual donation where the principal donation is invested and the interest income from the investments is to be used toward case investigation and other related case expenses only.
- b) The Law Foundation restricted the use of some of their funding to repay the costs of modernizing the operations of the organization (Rejuvenation project) and the articling fellowship's salary and benefits.