

**John Howard Society Sarnia
Lambton
Financial Statements
For the year ended March 31, 2018**

John Howard Society Sarnia Lambton
Financial Statements
For the year ended March 31, 2018

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Independent Auditor's Report

**To the Board Members of
John Howard Society Sarnia Lambton**

We have audited the accompanying financial statements of John Howard Society Sarnia Lambton, which comprise the balance sheet as at March 31, 2018 and the statements of changes in net assets, operations and cash flows for the year then ended March 31, 2018 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 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 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenue from donations and fundraising activities, 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 donations revenue, excess of revenue over expense, assets and net assets.



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 John Howard Society Sarnia Lambton, as at March 31, 2018 and the results of its operations 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

Sarnia, Ontario
July 27, 2018

John Howard Society Sarnia Lambton Balance Sheet

| March 31 | 2018 | 2017 |
|--------------------------------|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash | \$ 53,232 | \$ 21,656 |
| Accounts receivable | 7,303 | 14,240 |
| Prepaid expenses | 4,239 | 8,748 |
| | 64,774 | 44,644 |
| Capital assets (Note 2) | 277,111 | 295,267 |
| | \$ 341,885 | \$ 339,911 |

Liabilities and Net Assets

| | | |
|-------------------------------------------|-------------------|-------------------|
| Current | | |
| Accounts payable and accrued liabilities | \$ 6,389 | \$ 9,471 |
| Deferred revenue | 10,000 | 10,000 |
| | 16,389 | 19,471 |
| Deferred contributions (Note 4) | 103,538 | 116,850 |
| | 119,927 | 136,321 |
| Commitments (Note 5) | | |
| Net Assets | | |
| Net assets unrestricted | 189,958 | 203,590 |
| Net assets internally restricted (Note 6) | 32,000 | - |
| | 221,958 | 203,590 |
| | \$ 341,885 | \$ 339,911 |

On behalf of the Board:

_____ Director

_____ Director

John Howard Society Sarnia Lambton Statement of Changes in Net Assets

For the year ended March 31

| | Internally Restricted | Unrestricted | 2018 Total | 2017 Total |
|------------------------------------------------|--------------------------|--------------|---------------|---------------|
| Balance, beginning of year | \$ - | \$ 203,590 | \$ 203,590 | \$ 170,059 |
| Excess (deficiency) of revenue over expense | - | 18,368 | 18,368 | 33,531 |
| Transfer to restricted (Note 6) | 32,000 | (32,000) | - | - |
| Balance, end of year | \$ 32,000 | \$ 189,958 | \$ 221,958 | \$ 203,590 |

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

John Howard Society Sarnia Lambton Statement of Operations

| For the year ended March 31 | 2018 | 2017 |
|----------------------------------------------------------|------------------|------------------|
| Revenue | | |
| Crown donations | \$ 6,045 | \$ 14,995 |
| Donations | 21,696 | 11,550 |
| Grants: | | |
| Ministry of Children and Youth Services- EJS Program | 11,807 | 11,807 |
| Ministry of Children and Youth Services- OY Program | 186,925 | 216,380 |
| Ministry of Children and Youth Services- YCST Pilot | - | 25,335 |
| Ministry of Children and Youth Services- Fair Workplaces | 1,689 | - |
| Ministry of Children and Youth Services- Reintegration | 57,335 | - |
| Recognition of deferred contributions | 13,312 | 13,312 |
| Ministry of Correctional Services- CSO Program | 23,430 | 25,560 |
| Ministry of Correctional Services- IS Program | 35,373 | 35,373 |
| Ministry of the Attorney General- Bail Program | 161,451 | - |
| United Way | 30,000 | 20,000 |
| GST/HST refundable | 5,683 | 9,176 |
| Miscellaneous | 59 | 8,474 |
| | 554,805 | 391,962 |
| Expenditures | | |
| Amortization | 33,345 | 30,105 |
| Bank charges | 617 | 1,050 |
| Community education | 2,280 | 1,433 |
| Conference / in service training | 11,134 | 3,595 |
| Dues and publications | 593 | 683 |
| Insurance | 4,968 | 4,395 |
| Interest | - | 140 |
| Office | 22,762 | 13,511 |
| Printing and postage | 5,542 | 4,334 |
| Professional fees | 4,627 | 4,688 |
| Program expense - Bail | 20,546 | - |
| Program expense - OY | 3,604 | 6,970 |
| Program expense - Reimbursable | 1,006 | 685 |
| Repairs and maintenance | - | 339 |
| Salaries and benefits | 409,830 | 268,237 |
| Service mileage | 1,141 | 2,785 |
| Telephone and internet services | 9,647 | 9,370 |
| Utilities | 4,795 | 6,111 |
| | 536,437 | 358,431 |
| Excess of revenue over expenditures | \$ 18,368 | \$ 33,531 |

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

John Howard Society Sarnia Lambton Statement of Cash Flows

| For the year ended March 31 | 2018 | 2017 |
|----------------------------------------------------|------------------|------------------|
| Cash flow from operating activities | | |
| Excess of revenue over expenditures | \$ 18,368 | \$ 33,531 |
| Items not involving cash | | |
| Amortization of capital assets | 33,345 | 30,105 |
| Amortization of deferred capital contributions | (13,312) | (13,312) |
| | 38,401 | 50,324 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 6,937 | (4,253) |
| Prepaid expenses | 4,509 | 3,350 |
| Accounts payable and accrued liabilities | (3,082) | 5,873 |
| Deferred revenue | - | 10,000 |
| | 46,765 | 65,294 |
| Investing activities | | |
| Purchase of capital assets | (15,189) | (88,881) |
| Financing activities | | |
| Repayment of demand bank loan | - | (18,755) |
| Increase in deferred contributions | - | 67,362 |
| | - | 48,607 |
| Increase in cash during the year | 31,576 | 25,020 |
| Cash (bank indebtedness), beginning of year | 21,656 | (3,364) |
| Cash, end of year | \$ 53,232 | \$ 21,656 |

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

John Howard Society Sarnia Lambton

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

a) Nature and Purpose of Organization

The John Howard Society Sarnia Lambton is a non-profit organization incorporated without share capital under the laws of Ontario. The purpose of the organization is to provide support to people in conflict with the law and adults at imminent risk of coming into conflict with the law, in order to facilitate positive change and achieve community reintegration. The organization is a registered charity under the Income Tax Act and, as such, is exempt from income tax.

b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

c) Revenue Recognition

The organization follows the deferral method of accounting for contributions which include donations and government grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Revenue from fees are recognized when the services are provided.

d) Capital Assets

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

| | Method | Rate |
|--------------------|---------------|---------------|
| Building | Straight-line | 6.5% of cost |
| Equipment | Straight-line | 20% of cost |
| Computer equipment | Straight-line | 33.3% of cost |

John Howard Society Sarnia Lambton Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

d) Capital Assets (continued)

When a capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

e) Contributed Materials

Due to the difficulty in determining the fair value of materials contributed to the organization they are not recognized in the financial statements.

f) Contributed Services

Volunteers contribute many hours per year to assist the organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

g) Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

John Howard Society Sarnia Lambton Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

h) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight line basis.

i) Employee Future Benefits

The organization has defined contribution pension plans for senior management and other employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based upon a set percentage of salary.

j) Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Capital Assets

| | 2018 | | 2017 | |
|--------------------|------------|-----------------------------|------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 50,000 | \$ - | \$ 50,000 | \$ - |
| Building | 435,490 | 232,553 | 435,490 | 210,608 |
| Equipment | 68,743 | 53,865 | 63,304 | 48,535 |
| Computer equipment | 29,183 | 19,887 | 19,433 | 13,817 |
| | \$ 583,416 | \$ 306,305 | \$ 568,227 | \$ 272,960 |
| Net book value | | \$ 277,111 | | \$ 295,267 |

John Howard Society Sarnia Lambton Notes to Financial Statements

March 31, 2018

3. Demand Bank Loan

The organization has a revolving demand credit facility of \$100,000 with interest charged at prime plus 2.2% per annum and is secured by the land and building with a carrying value of \$252,937 (2017 - \$274,882). At March 31, 2018, the organization has not accessed the line of credit.

4. Deferred Contributions

Deferred contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 116,850 | \$ 62,800 |
| Contributions received | - | 67,812 |
| Contributions repaid | - | (450) |
| Less amounts amortized to revenue | <u>(13,312)</u> | <u>(13,312)</u> |
| Balance, end of year | <u>\$ 103,538</u> | <u>\$ 116,850</u> |

5. Commitments

The organizations has entered into a lease for office equipment. The minimum annual lease payments are as follows:

| Year | Amount |
|------|----------|
| 2019 | \$ 2,820 |
| 2020 | \$ 2,820 |
| 2021 | \$ 2,820 |
| 2022 | \$ 2,820 |
| 2023 | \$ 940 |

6. Internal Restrictions on Net Assets

During the year, the organization's board of directors internally restricted \$32,000 (2017 - \$Nil) of unrestricted net assets for the purpose of Administration Support, Property Improvements, Employee Educational Support, a Housing Capital Reserve and a Contingency Reserve. These internally restricted amounts are not available for other purposes without approval of the board of directors.

John Howard Society Sarnia Lambton Notes to Financial Statements

March 31, 2018

7. Economic Dependence

The organization is economically dependent on the grants it receives from the Ministry of Children and Youth Services, the Ministry of Community Safety and Correctional Services and the Ministry of the Attorney General as it represents 88% (2017 - 84%) of revenue in the current year.

8. Due to Province of Ontario Grants

The excess revenue over expenditure in any year, to the extent it represents funding from the Province of Ontario, may be recoverable by the Province of Ontario. Annual reconciliation reports are filed with the Ministry of Children and Youth Services and the Ministry of the Attorney General and are prepared based on management's best estimate of amounts due to the Province of Ontario. The reconciliation is subject to approval by the Province of Ontario and may be adjusted at a future date. Therefore it is possible that the actual amount repayable to the Province of Ontario may vary.

9. Pension Plan

The organization participates in a multiemployer defined contribution plan providing both pension and other retirement benefits. This plan, to which contributions totaled \$26,350 in 2018 and \$14,832 in 2017, is accounted for as a defined contribution plan.

10. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The organization is exposed to credit risk arising from its accounts receivable.

The organization is also exposed to credit risk arising from all of its bank accounts being held at one financial institution.

There have not been any changes in the risk from the prior year.

John Howard Society Sarnia Lambton Notes to Financial Statements

March 31, 2018

10. Financial Instrument Risk (continued)

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, which is less than what they are worth; or may be unable to settle or recover a financial asset. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and commitments.

The organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The organization also maintains certain credit facilities, which can be drawn upon as needed.

The organization's ability to obtain funding from external sources may be restricted if the organization's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the organization's access and ability to fund its short-term and long-term debt requirements.

There have not been any changes in the risk from the prior year.