

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

FINANCIAL STATEMENTS

DECEMBER 31, 2005



**Smith
Chappell
Marsh
Vilander** LLP Chartered Accountants

*H. Howard Smith, FCA
Richard A. Chappell, BA, CA
Deborah L. Marsh, BMath, CA
Vesa K. Vilander, BA, CA*

AUDITORS' REPORT

To the Board of Directors

John Howard Society of Durham Region

We have audited the statement of financial position of John Howard Society of Durham Region (Core Program) as at December 31, 2005 and the related statements of changes in net assets, operations 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 charitable organizations, the organization derives part of its revenue from donations and fundraising events the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues 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 donation and fundraising revenues, excess of revenue over expense, assets and equity.

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of John Howard Society of Durham Region (Core Program) as at December 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Smith Chappell
Marsh Vilander LLP*

Oshawa, Ontario
April 5, 2006

Chartered Accountants

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JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31,

2005

2004

ASSETS

Current

Cash	\$ 82,162	\$ 28,434
Accounts receivable	25,115	108,793
Prepaid expenses	<u>3,267</u>	<u>3,267</u>
	110,544	140,494

Other

Capital assets (Notes 1 and 2)	<u>401,080</u>	<u>410,450</u>
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\$ <u>511,624</u>	\$ <u>550,944</u>
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LIABILITIES

Current

Accounts payable	\$ 11,409	\$ 18,673
Deferred revenue (Note 1)	1,500	1,500
Mortgage principal due within one year (Note 4)	<u>8,200</u>	<u>6,650</u>
	<u>21,109</u>	<u>26,823</u>

Other

Loans from programmes (Note 3)	107,035	73,049
Mortgage payable (Note 4)	<u>201,147</u>	<u>195,468</u>
	<u>308,182</u>	<u>268,517</u>
	<u>329,291</u>	<u>295,340</u>

NET ASSETS

Deferred Contributions Related to Capital Assets (Note 1)	2,000	3,340
Invested in Capital Assets (Note 1)	189,733	204,992
Unrestricted Funds	<u>(9,400)</u>	<u>47,272</u>
	<u>182,333</u>	<u>255,604</u>
	\$ <u>511,624</u>	\$ <u>550,944</u>

Approved On Behalf Of The Board:

Director

Director

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31,

2005

2004

Deferred Contributions Related to Capital Assets (Note 1)

Beginning of year	\$ 3,340	\$ 4,680
Contributions received	-	-
Amortized to operations	<u>(1,340)</u>	<u>(1,340)</u>
	<u>\$ 2,000</u>	<u>\$ 3,340</u>

Invested in Capital Assets (Note 1)

Beginning of year	\$ <u>204,992</u>	\$ <u>208,454</u>
Transfers to/from operations		
Amortization	(9,370)	(10,950)
Reduction of mortgage	(7,229)	6,148
Addition to capital assets - financed by Operating	<u>1,340</u>	<u>1,340</u>
	<u>(15,259)</u>	<u>(3,462)</u>
	<u>\$ 189,733</u>	<u>\$ 204,992</u>

Unrestricted Funds (Operating Deficit)

Beginning of year	\$ 47,272	\$ 13,012
Net Operating Results	<u>(71,931)</u>	<u>30,798</u>
	(24,659)	43,810
Transfer to/from Invested in Capital Assets - net	<u>15,259</u>	<u>3,462</u>
	<u>\$ (9,400)</u>	<u>\$ 47,272</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,

2005

2004

Revenue

United Way grants	\$ 344,209	\$ 368,067
Programme revenue (Note 5)	349,646	315,462
Other programme revenue	33,293	64,824
Project X (needle exchange)	125,500	110,000
Bingo - net	54,608	40,487
Other receipts	10,779	21,656
Donations (including Deferred Contributions) (Note 1)	12,734	5,818
Interest	<u>1,915</u>	<u>883</u>
	<u>932,684</u>	<u>927,197</u>

Expenses

Salaries and benefits	683,511	621,513
Staff training	868	1,247
Travel	3,747	3,232
Project X (needle exchange)	128,896	112,644
Occupancy (Note 7)	51,985	49,050
Mortgage interest	20,593	16,122
Insurance	12,592	9,885
Telephone	5,252	14,873
Office	28,786	2,528
Office equipment and maintenance (Note 1)	(1,498)	2,396
Contribution to John Howard Society of Ontario	45,694	37,099
Meetings and promotion	3,070	3,260
Professional fees	10,609	9,315
Client assistance	117	345
Amortization	9,370	10,950
Miscellaneous	<u>1,023</u>	<u>1,940</u>
	<u>1,004,615</u>	<u>896,399</u>

Net Operating (Deficiency) Results

\$ (71,931)

\$ 30,798

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,

2005

2004

Operating Activities

Deficiency of expenses over revenues	\$ (71,931)	\$ 30,798
Charges to income not involving cash		
Amortization	9,370	10,950
Provided from working capital (Note 6)	<u>76,414</u>	<u>(46,927)</u>
	<u>13,853</u>	<u>(5,179)</u>

Financing Activities

Repayment of mortgage	(207,271)	(6,148)
Net increase\decrease in loans from programmes	33,986	18,686
Mortgage proceeds	214,500	-
Deferred contributions related to capital assets - net	<u>(1,340)</u>	<u>(1,340)</u>
	<u>39,875</u>	<u>11,198</u>

Increase In Cash

Cash, beginning of year

Cash, end of year

53,728	6,019
<u>28,434</u>	<u>22,415</u>
<u>\$ 82,162</u>	<u>\$ 28,434</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. Summary of Significant Accounting Policies

- (a) These statements do not consolidate various programmes administered by the John Howard Society of Durham Region and funded separately. Additional information about these programs is reflected in Note 9.
- (b) The policy of the Society is to capitalize purchases of capital assets at their cost. Minor capital asset purchases are being expensed as approved by the board.
- (c) Deferred revenue is income received which is attributable to subsequent years and includes private donations received for specific expenses. As the expenses are incurred in subsequent years, this income will be recognized in the Statement of Operations.
- (d) **Deferred Contributions Related to Capital Assets**
Deferred contributions represent the unamortized portions of contributions for capital assets. The value of these contributions will be reduced in amounts equal to the amortization of these assets
- (e) **Invested in Capital Assets**
This funds represents capital assets less amortization and net of mortgages payable and deferred contributions related to capital assets (Note 1(d)). The method of recording amortization on each class is described in Note 1(g).
- (f) Pledges are recorded when amounts are received.
- (g) Amortization is recorded on the straight-line basis over the following period:

Building	40 years with residual value of \$12,000
Computer equipment	3 years
Other equipment	5 years

2. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2005</u>	<u>2004</u>
Land	\$ 176,000	\$ -	\$ 176,000	\$ 176,000
Building	239,596	19,916	219,680	225,370
Computer equipment	18,210	18,210	-	-
Other equipment	<u>29,174</u>	<u>23,774</u>	<u>5,400</u>	<u>9,080</u>
	<u>\$ 462,980</u>	<u>\$ 61,900</u>	<u>\$ 401,080</u>	<u>\$ 410,450</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

3. Loans from Programmes

Amounts were advanced to and from programmes administered by the Society. There are no terms of repayment for these loans.

	<u>2005</u>	<u>2004</u>
Payroll Account	\$ 62,819	\$ 54,745
Literacy Programme	-	17,649
Whitby Residence	-	41,319
Access to Housing	(21,347)	(31,422)
Clarington Resource	(640)	(439)
Oshawa Residence #2	(122)	2,011
Oshawa Residence #3	-	(310)
Clarington Youth	1,149	1,058
Job Connect	<u>65,176</u>	<u>(11,562)</u>
	<u>\$ 107,035</u>	<u>\$ 73,049</u>

4. Mortgage Payable

The mortgage is due in blended monthly instalments of \$1,860 through April, 2007 with interest at 8.0%. It is secured by a charge against the property owned by the Society.

	\$ 209,347	\$ 202,118
Less: principal due within one year	<u>8,200</u>	<u>6,650</u>
Long-term portion	<u>\$ 201,147</u>	<u>\$ 195,468</u>

The annual principal payments for the next five years, assuming renewal in 2007 on similar terms, would be as follows:

2006	\$ 8,200
2007	8,800
2008	9,446
2009	10,140
2010 and beyond	<u>172,761</u>
	<u>\$ 209,347</u>

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

5. Programme Revenue

These amounts are charged to various programmes administered by the Society. This represents reimbursement of administrative costs which are approved by the funding bodies of these programmes.

6. Cash Provided From (Used For) Working Capital

Cash otherwise available from operating activities is influenced by increases or decreases in the following items:

	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 83,678	\$ (7,653)
Accounts payable	(7,264)	(4,841)
Deferred revenue	<u>-</u>	<u>(34,433)</u>
	<u>\$ 76,414</u>	<u>\$ (46,927)</u>

7. Commitments

The Society pays rent of \$2,194 per month for its Ajax office based on a lease agreement which expires in 2006 and may be subject to marginal adjustments from year to year. The Society also pays rent of \$865 per month for its Clarington office based on a lease agreement which is signed yearly and may be subject to marginal adjustments from year to year. Some of the space occupied by the Society at the Clarington location is sublet to other organizations from which rent is collected.

JOHN HOWARD SOCIETY OF DURHAM REGION

(CORE PROGRAM)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

8. General Information

The John Howard Society of Durham Region is a charitable organization in accordance with the Income Tax Act (Canada) and, as such, does not pay income taxes. The organization was incorporated in 1999 in Ontario as a corporation without share capital.

It is committed to providing and developing programs that reduce the social, economic and personal costs of crime. The Society is dedicated to helping youth and adults in conflict with the law and individuals at risk through service, education, reform and community programs.

The Society qualifies as a charitable organization under the terms of the Income Tax Act (Canada). For fiscal 2004, the organization has met the distribution quota requirements to maintain its status as a charitable organization under the Income Tax Act (Canada).

9. Controlled Organizations

The Society has control over a number of programs operated by it on behalf of various funding bodies. Canadian Generally Accepted Accounting Principles ("CGAAP") suggest that these programs be consolidated, for financial reporting purposes, with these financial statements. The Society has decided not to consolidate this information. Programs have different year ends depending primarily on the needs of the funding bodies. The cost of making the changes to be able to consolidate these statements would be substantial. Financial statements for all programs are available. These programs, and some selected data are as follows:

	<u>Year Ended</u>	<u>Net Assets</u>	<u>Gross Revenue</u>
Whitby Residence	March 31, 2005	\$ 9,937	\$ 291,057
Oshawa Residence #2	March 31, 2005	\$ (45,450)	\$ 84,844
Oshawa Residence #3	March 31, 2005	\$ (40,209)	\$ 379,319
Job Connect and Summer Job Service	March 31, 2005	\$ (3,781)	\$ 1,232,917
Literacy	March 31, 2005	\$ (2,255)	\$ 145,100
* Access to Permanent Housing	December 31, 2005	\$ (55,482)	\$ 154,610
* Clarington Youth Services	December 31, 2005	\$ 19,513	\$ 109,672
* Clarington Resource Centre	December 31, 2005	\$ -	\$ 8,656

* These amounts have been extracted from internally produced financial statements.