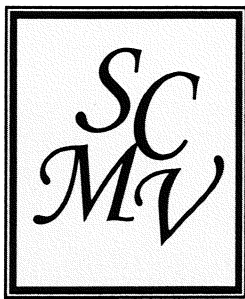


**JOHN HOWARD SOCIETY OF DURHAM REGION**

**(CORE PROGRAM)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**



*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, 2006 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 paragraphs, 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.

Note 2(a) describes the policy with respect to certain programs administered by the Society. Under Canadian generally accepted accounting principles, the programs should be included in the financial statements of the Society.

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 failure to incorporate various programs administered by the Society and 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 paragraphs, 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, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Smith Chappell Marsh Vilander LLP*

**Chartered Accountants, Licensed Public Accountants**

**Oshawa, Ontario  
April 3, 2007**

# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31,

2006

2005

#### ASSETS

##### Current

Cash	\$ 372,017	\$ 81,910
Accounts receivable	44,558	25,115
Loans to projects (Note 5)	19,793	-
Prepaid expenses	<u>9,424</u>	<u>3,267</u>
	445,792	110,292

##### Other

Capital assets (Notes 2 and 3)	<u>392,150</u>	<u>401,080</u>
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	<u>\$ 837,942</u>	<u>\$ 511,372</u>
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#### LIABILITIES

##### Current

Accounts payable	\$ 57,578	\$ 92,202
Loans from projects (Note 5)	-	25,989
Deferred revenue (Note 2c)	10,300	1,500
Accrued pension liability (Note 14)	200,000	-
Mortgage principal due within one year (Note 6)	<u>8,801</u>	<u>8,200</u>
	<u>276,679</u>	<u>127,891</u>

##### Other

Mortgage payable (Note 6)	<u>192,378</u>	<u>201,147</u>
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Deferred Contributions Related to Capital Assets (Note 11)

<u>660</u>	<u>2,000</u>
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<u>469,717</u>	<u>331,038</u>
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#### NET ASSETS

Invested in Capital Assets (Note 2 and 12)

190,311	189,733
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Operational reserve (Note 2j )

67,000	-
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Unrestricted Funds

<u>110,914</u>	<u>(9,399)</u>
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<u>368,225</u>	<u>180,334</u>
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<u>\$ 837,942</u>	<u>\$ 511,372</u>
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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,

2006

2005

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	Invested in Capital <u>Assets</u>	Operational <u>Reserve</u>	<u>Unrestricted</u>		
Opening balance	\$ 189,733	\$ -	\$ (9,399)	\$ 180,334	\$ 252,265
Excess of revenue over expenses (expenses over revenue)					
- operations (Note 12)	578	-	187,313	187,891	(71,931)
Interfund transfers	<u>-</u>	<u>67,000</u>	<u>(67,000)</u>	<u>-</u>	<u>-</u>
Closing balance	\$ <u>190,311</u>	\$ <u>67,000</u>	\$ <u>110,914</u>	\$ <u>368,225</u>	\$ <u>180,334</u>

# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,

2006

2005

#### Revenue

United Way grants	\$ 365,558	\$ 344,209
Other programs	61,218	49,081
Project X (needle exchange)	163,600	125,500
Bingo	54,792	67,071
Other receipts	8,164	6,378
Donations	13,505	11,394
Interest	7,501	1,915
Amortization of deferred contributions (Note 2)	<u>1,340</u>	<u>1,340</u>
	<u>675,678</u>	<u>606,888</u>

#### Expenses

Salaries and benefits	2,415,776	2,297,210
Staff training	2,350	6,273
Travel	3,931	3,747
Project X (needle exchange)	159,149	128,896
Occupancy (Note 9)	94,132	51,985
Mortgage interest	14,602	20,593
Insurance	18,214	24,043
Telephone	15,863	35,720
Office	51,851	66,917
Office equipment and maintenance	16,390	24,429
Contribution to John Howard Society of Ontario	47,774	45,694
Meetings and promotion	3,851	3,070
Professional fees	11,976	10,609
Client assistance	258	117
Amortization	8,930	9,370
Fundraising	13,690	12,463
Other programs	19,083	15,787
Miscellaneous	1,492	1,023
Allocated salaries and benefits (Note 7)	(1,871,327)	(1,613,615)
Allocated administration (Note 7)	<u>(540,198)</u>	<u>(465,513)</u>
	<u>487,787</u>	<u>678,818</u>

Net Operating (Deficiency) Results

\$ 187,891

\$ (71,930)

# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,

2006

2005

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#### Operating Activities

Net Operating Results	\$ 187,891	\$ (71,930)
Charges to income not involving cash		
Amortization	8,930	9,370
Deferred contributions	(1,340)	(1,340)
Provided from working capital (Note 8)	<u>148,575</u>	<u>106,857</u>
	<u>344,056</u>	<u>42,957</u>

#### Financing Activities

Repayment of mortgage	(8,168)	(207,271)
Net increase/decrease in loans from programs	(45,781)	25,912
Mortgage proceeds	<u>-</u>	<u>214,500</u>
	<u>(53,949)</u>	<u>33,141</u>

#### Increase In Cash

290,107 76,098

#### Cash, beginning of year

81,910 5,812

#### Cash, end of year

\$ 372,017 \$ 81,910

# **JOHN HOWARD SOCIETY OF DURHAM REGION**

## **(CORE PROGRAM)**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

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#### **1. 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.

#### **2. Summary of Significant Accounting Policies**

##### **(a) Programs**

These statements do not incorporate financial information for the various programs administered by the John Howard Society of Durham Region and funded separately. Additional information about these programs is reflected in Note 10.

##### **(b) Capital Assets**

The policy of the Society is to capitalize purchases of major capital assets at their cost. Minor capital asset purchases are being expensed as approved by the board.

##### **(c) Deferred Revenue**

Deferred revenue is income received which is attributable to subsequent years. As the expenses are incurred, this income will be recognized in the Statement of Operations.

##### **(d) Revenue Recognition**

John Howard Society of Durham Region follows the deferral method of accounting for contributions. 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.

United Way funding is recognized based on the calendar year allocation.  
Various government funding is recognized based on the funding agreement.  
Bingo revenue is recognized monthly based on pooling allocations.  
Interest is recognized based on amounts received.  
Program revenue is recognized when programs are held.

# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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#### 2. Summary of Significant Accounting Policies (continued)

##### (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 11). The method of recording amortization on each class is described in Note 2(g).

##### (f) Pledges

Pledges are recorded when amounts are received.

##### (g) Amortization

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

##### (h) 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates.

##### (i) Contributed Services

John Howard Society of Durham Region would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. The value is not recognized in these financial statements.

##### (j) Operational Reserve

The Board of Directors of John Howard Society of Durham Region has established an internally restricted Operational Reserve fund. The purpose of this fund is to provide the organization with a reserve of cash for years when funding is not sufficient to cover operating costs. Funds can only be transferred to and from this fund with the approval of the Board of Directors.



# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

---

#### 3. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u> <u>2006</u>	<u>2005</u>
Land	\$ 176,000	\$ -	\$ 176,000	\$ 176,000
Building	239,596	25,606	213,990	219,680
Computer equipment	18,210	18,210	-	-
Other equipment	<u>29,174</u>	<u>27,014</u>	<u>2,160</u>	<u>5,400</u>
	<u>\$ 462,980</u>	<u>\$ 70,830</u>	<u>\$ 392,150</u>	<u>\$ 401,080</u>

#### 4. Line of Credit

The bank credit facility represents a line of credit of \$90,000. There was no balance outstanding at December 31, 2006 (no balance outstanding at December 31, 2005). The line of credit is secured by a charge against property owned by the Society

#### 5. Loans from Programs

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

	<u>2006</u>	<u>2005</u>
Service Canada	\$ (1,315)	\$ -
Literacy	6,218	6,000
Whitby Residence	9,013	8,700
Access to Housing	(48,355)	(24,132)
Clarington Resource	(1,943)	(640)
Oshawa Residence #2	(2,554)	5,378
Oshawa Residence #3	2,439	(12,909)
Pre-Apprenticeship	(2,178)	-
Clarington Youth	18,654	(1,697)
Job Connect	<u>228</u>	<u>45,289</u>
	<u>\$ (19,793)</u>	<u>\$ 25,989</u>

# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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#### 6. Mortgage Payable

The mortgage is due in blended monthly instalments of \$1,900 through April, 2010 with interest at 7.1%. It is secured by a charge against the property owned by the Society.

	\$ 201,179	\$ 209,347
Less: principal due within one year	<u>8,801</u>	<u>8,200</u>
Long-term portion	\$ <u>192,378</u>	\$ <u>201,147</u>

The annual principal payments would be as follows:

2007	\$ 8,801
2008	9,446
2009	10,140
2010	<u>172,792</u>
	\$ <u>201,179</u>

#### 7. Allocated expenses

These amounts are charged to various programmes administered by the Society. This represents reimbursement of salary, benefits and administrative costs. Expenses are allocated to programs in accordance with the nature and purpose of the outlay or as expressly permitted by the various funding authorities. Where an expense relates to multiple programs, it is allocated to the programs in accordance with the approved budgets. Expenses allocations are those provided by management.

#### 8. Cash Provided From (Used For) Working Capital

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

	<u>2006</u>	<u>2005</u>
Accounts receivable	\$ (19,444)	\$ 83,677
Prepaid expenses	(6,157)	-
Accounts payable	(34,624)	23,180
Deferred revenue	8,800	-
Accrued pension liability	<u>200,000</u>	<u>-</u>
	\$ <u>148,575</u>	\$ <u>106,857</u>

#### 9. Commitments

The Society pays rent of \$2,600 per month for its Ajax office based on a lease agreement which expires in 2007 and may be subject to marginal adjustments from year to year. The Society pays rent of \$4,416 per month for its Whitby office based on a lease agreement which expires in 2011. The Society also pays rent of \$1,072 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, 2006

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#### 10. Unconsolidated Programs

The Society administers a number of programs on behalf of various funding bodies. Canadian Generally Accepted Accounting Principles ("CGAAP") suggest that the financial information for these programs be incorporated, for financial reporting purposes, with these financial statements. The Society has decided not to incorporate this information. Programs have different year ends depending primarily on the needs of the funding bodies. 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, 2006	\$ 10,590	\$ 324,017
Oshawa Residence #2	March 31, 2006	\$ (48,747)	\$ 81,461
Oshawa Residence #3	March 31, 2006	\$ (42,476)	\$ 497,839
Job Connect and Summer Job Service	March 31, 2006	\$ (30,866)	\$ 1,234,952
Literacy	March 31, 2006	\$ (4,496)	\$ 151,694
Pre-Apprenticeship - Horticultural	June 23, 2006	\$ 25,234	\$ -
Pre-Apprenticeship - Construction Craft	September 1, 2006	\$ 77,736	\$ -
*Access to Permanent Housing	December 31, 2006	\$ (55,481)	\$ 152,454
*Clarington Youth Services	December 31, 2006	\$ 18,346	\$ 85,759
*Clarington Resource Centre	December 31, 2006	\$ (2,749)	\$ 9,361
*Community Alternatives for School Suspension	December 31, 2006	\$ 10,234	\$ 65,103

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

#### 11. Deferred Contributions Related to Capital Assets

Deferred contributions related to specific capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization expense related to these capital assets.

	<u>2006</u>	<u>2005</u>
Opening balance	\$ 2,000	\$ 3,340
Less: Amount amortized to revenue	<u>(1,340)</u>	<u>(1,340)</u>
Closing balance	<u>\$ 660</u>	<u>\$ 2,000</u>

# JOHN HOWARD SOCIETY OF DURHAM REGION

## (CORE PROGRAM)

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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#### 12. Invested in Capital Assets

- (a) Invested in capital assets is calculated as follows:

	<u>2006</u>	<u>2005</u>
Net book value of capital assets	\$ 392,150	\$ 401,080
Less: Amount financed by mortgage	(201,179)	(209,347)
Less: Amount financed by deferred contributions	<u>(660)</u>	<u>(2,000)</u>
Closing balance	<u>\$ 190,311</u>	<u>\$ 189,733</u>

- (b) Change in net assets invested in capital assets is calculated as follows:

Amortization of deferred contributions	\$ 1,340	\$ 1,340
Reduction/Increase of mortgage	8,168	(7,229)
Less: Amortization of capital assets	<u>(8,930)</u>	<u>(9,370)</u>
	<u>\$ 578</u>	<u>\$ (15,259)</u>

#### 13. Fair value of financial instruments

The carrying amount of accounts receivable and accounts payable approximate the fair value because of the short term maturity of these items. The carrying amount of the mortgage payable also approximates the fair values as fixed interest rates approximate market rates at December 31, 2006.

#### 14. Pension Costs and Obligations

The Society participates in a multiemployer defined benefit pension plan of John Howard Society of Ontario, which covers certain eligible employees. The Society also sponsors a defined contribution pension plan for its employees. During the year regular pension contributions of \$202,445 were expensed for both plans.

During the year, the Society 's Board of Directors committed to a change in the defined benefit plan to allow the year of record on retirement as being the calendar year of retirement for the remaining employees in this plan. John Howard Society of Ontario is currently in the process of implementing this amendment to the pension plan. The cost of this amendment is still unknown but the Board of Directors has determined that an amount of \$200,000 be expensed in the current year and set up as a liability towards this future commitment.

#### 15. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.