

**JOHN HOWARD SOCIETY OF
KINGSTON & DISTRICT**

**FINANCIAL STATEMENTS
WITH AUDITORS' REPORT**

MARCH 31, 2012

May 25, 2012

10:37 AM

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
John Howard Society of Kingston & District

We have audited the accompanying financial statements of the the John Howard Society of Kingston & District which comprise the statement of financial position as at March 31, 2012 and the statements of revenue and expenditures, changes in net assets and cash flows for the three months then ended, 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 generally accepted accounting principles 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.

Auditors' 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 auditors' 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 auditors consider internal controls relevant to the organization'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 organization'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the John Howard Society of Kingston & District as at March 31, 2012, and its financial performance and its cash flows for the three months then ended in accordance with Canadian generally accepted accounting principles.

Kingston, Ontario
June 19, 2012

Chartered Accountants
Licensed Public Accountants

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT
(Incorporated as a not-for-profit organization under the laws of the province of Ontario)

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012

	<u>2012</u>	December 31 <u>2011</u>
ASSETS		
Current		
Accounts receivable	\$ 10,989	\$ 88,398
HST recoverable	10,170	40,916
Security deposit	-	19,615
Prepaid expenses	<u>10,990</u>	<u>12,679</u>
	<u>32,149</u>	<u>161,608</u>
Capital assets - Note 2	<u>1,237,240</u>	<u>1,247,289</u>
	<u>\$ 1,269,389</u>	<u>\$ 1,408,897</u>
LIABILITIES		
Current		
Bank overdraft	\$ 681	\$ 2,205
Bank indebtedness - Note 3	5,700	-
Accounts payable and accrued liabilities	61,144	171,277
Deferred revenue - Note 4	<u>4,221</u>	<u>632</u>
	<u>71,746</u>	<u>174,114</u>
Deferred contributions related to capital assets - Note 5	<u>1,048,608</u>	<u>1,055,699</u>
NET ASSETS		
Investment in capital assets - Note 6	188,632	191,590
Unrestricted	<u>(39,597)</u>	<u>(12,506)</u>
	<u>149,035</u>	<u>179,084</u>
	<u>\$ 1,269,389</u>	<u>\$ 1,408,897</u>
Commitments - Note 7		
Approved on behalf of the Board		
_____	Director	
_____	Director	

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

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

STATEMENT OF CHANGES IN NET ASSETS FOR THE THREE MONTHS ENDED MARCH 31, 2012

	2012		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the period	\$ 191,590	\$ (12,506)	\$ 179,084
Excess expenditures for the period	<u>(2,958)</u>	<u>(27,091)</u>	<u>(30,049)</u>
Balance - end of the period	<u>\$ 188,632</u>	<u>\$ (39,597)</u>	<u>\$ 149,035</u>

	December 31 2011		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 202,060	\$ (12,022)	\$ 190,038
Excess expenditures for the year	(6,156)	(4,798)	(10,954)
Investment in capital assets	<u>(4,314)</u>	<u>4,314</u>	<u>-</u>
Balance - end of the year	<u>\$ 191,590</u>	<u>\$ (12,506)</u>	<u>\$ 179,084</u>

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

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

STATEMENT OF REVENUE AND EXPENDITURES FOR THE THREE MONTHS ENDED MARCH 31, 2012

	<u>2012</u>	Year December 31 <u>2011</u>
Revenue		
Funding - Provincial government	\$ 170,070	\$ 663,848
- John Howard Society of Ontario	5,294	21,545
- City of Kingston	10,767	43,761
- Fund-raising	2,426	10,242
- Federal government	415	2,742
Memberships and donations	11,935	2,378
Rental income	24	1,545
Miscellaneous	10,622	2,167
Amortization of deferred contributions - Note 5	<u>10,622</u>	<u>46,398</u>
	<u>211,553</u>	<u>794,626</u>
Expenditures		
Accounting fees	6,621	31,780
Advertising and publishing	1,549	13,175
Amortization	13,580	52,554
Audit	4,000	5,758
Bank charges and interest	148	964
Building maintenance	8,163	21,248
Client costs	-	518
Equipment rental and repairs	2,511	22,866
Fund-raising	1,165	3,000
Insurance	1,689	4,857
Mileage, travel and conferences	3,659	18,868
Miscellaneous	-	1,381
Office	5,608	25,662
Professional fees	4,008	6,221
Program costs	(34,247)	23,430
Rent	10,110	39,053
Salaries and benefits	134,198	505,988
Telephone	3,734	13,324
Transition and moving costs	-	1,082
Utilities	<u>6,612</u>	<u>13,851</u>
	<u>241,602</u>	<u>805,580</u>
Excess expenditures for the period	<u>\$ (30,049)</u>	<u>\$ (10,954)</u>

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

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2012

	<u>2012</u>	Year December 31 <u>2011</u>
Cash provided by operating activities		
Excess expenditures for the period	\$ (30,049)	\$ (10,954)
Item not requiring an outlay of cash:		
Amortization of capital assets	13,580	52,554
Amortization of deferred contributions	<u>(10,622)</u>	<u>(46,398)</u>
	<u>(27,091)</u>	<u>(4,798)</u>
Net changes in non-cash working capital:		
Accounts receivable	77,409	(85,670)
HST recoverable		
Security deposit	19,615	19,615
Prepaid expenses	1,689	(2,254)
Accounts payable and accrued liabilities	(110,133)	150,203
Deferred revenue	<u>3,589</u>	<u>(133,315)</u>
	<u>22,915</u>	<u>(78,230)</u>
	<u>(4,176)</u>	<u>(83,028)</u>
Cash flows from operating activities		
Cash flows from investing activities		
Purchase of capital assets	(3,531)	(977,783)
Contributions received for the purchase of capital assets	<u>3,531</u>	<u>982,097</u>
	<u>-</u>	<u>4,314</u>
Cash flows from investing activities		
Cash flows from financing activities		
Proceeds from line of credit	<u>5,700</u>	<u>-</u>
	<u>5,700</u>	<u>-</u>
Cash flows from financing activities		
Net increase (decrease) in cash for the period	1,524	(78,714)
(Bank overdraft) cash at the beginning of the period	<u>(2,205)</u>	<u>76,509</u>
Bank overdraft at the end of the period	<u>\$ (681)</u>	<u>\$ (2,205)</u>

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

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

John Howard Society of Kingston & District (the "organization") is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada. The society's purpose is to further social justice, provide community education, advocate for and initiate reform, and promote the prevention of crime through skill development and the provision of services primarily to ex-offenders and their families and those at risk of becoming involved in the criminal justice system.

1. Significant accounting policies

a) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Membership and donation revenue is recognized when received.

Rental revenue is recognized when earned.

b) Amortization

Land and building are recorded at the assessed value in November, 2004 when ownership was transferred from the John Howard Society of Ontario to the organization. Other capital assets are recorded at cost. Amortization is provided using the straight-line method over the following terms:

Building	35- 40 years
Furniture and equipment	5 years
Computer hardware	2 years

Building renovations have been recorded at cost. The renovations involve constructing nine bachelor units in the basement of the building. No amortization was recorded in 2010 as the renovations were not complete.

c) 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 expenditures during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in revenue and expenditures in the period in which they become known. Significant estimates include accrued liabilities and the amortization period of capital assets.

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

1. Significant accounting policies (continued)

d) Donated materials and services

The work of the organization is dependent on the voluntary services of staff and board members. Since these services are not normally purchased by the organization and because of the difficulty of determining fair market value, donated services are not recognized in the financial statements.

2. Capital assets

	2012			December 31
	Cost	Accumulated Amortization	Net	2011 Net
Land	\$ 87,200	\$ -	\$ 87,200	\$ 87,200
Building	1,161,611	63,793	1,097,818	1,105,999
Furniture and equipment	75,104	29,579	45,525	49,280
Computer hardware	<u>20,412</u>	<u>13,715</u>	<u>6,697</u>	<u>4,810</u>
	<u>\$ 1,344,327</u>	<u>\$ 107,087</u>	<u>\$ 1,237,240</u>	<u>\$ 1,247,289</u>

3. Bank credit facility

The organization has a line of credit with a limit of \$75,000 (December 31, 2011 - \$75,000) of which \$5,700 (December 31, 2011 - nil) was drawn down at period end. This facility is secured by a general security agreement and interest is charged at 8%.

The organization also has credit cards with a limit of \$3,000 (December 31, 2011 - \$3,000), of which \$831 (December 31, 2011 - \$1,377) was utilized at period end and included in accounts payable and accrued liabilities.

4. Deferred revenue

	2012	December 31 2011
City of Kingston - Intake funding	\$ 3,589	\$ -
McDougall Memorial Fund	<u>632</u>	<u>632</u>
	<u>\$ 4,221</u>	<u>\$ 632</u>

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

5. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent restricted contributions with which the organization purchased capital assets. The changes in the deferred contribution balance for the period are as follows:

	2012	December 31 2011
Balance - beginning of the period	\$ 1,055,699	\$ 120,000
Add: Amounts received during the period	3,531	982,097
Less: Amounts amortized to revenue	(10,622)	(46,398)
Balance - end of the period	\$ 1,048,608	\$ 1,055,699

The organization received funds from Canada Mortgage and Housing Corporation in 2009 and 2010, including \$110,000 in loans of which \$75,000 was repaid in 2011 from municipal funding received from the Ministry of Municipal Affairs and Housing under the Delivering Opportunities for Ontario Renters (DOOR) component of the Canada-Ontario Affordable Housing Programs.

Funding was also received from the City of Kingston in the amount of \$859,912 in the form of a 35 year forgivable loan. In addition, one time funding of \$67,938 was received from the City of Kingston.

6. Net assets invested in capital assets

	2012	December 31 2011
Capital assets	\$ 1,237,240	\$ 1,247,289
Less: Deferred contributions related to capital assets	1,048,608	1,055,699
	\$ 188,632	\$ 191,590

7. Commitments

The organization leases premises under the terms of a lease which expires on October 31, 2015. The organization also leases office equipment. Future annual minimum payments, including the non-recoverable portion of the HST, are as follows:

2013	\$ 46,044
2014	\$ 46,644
2015	\$ 47,586
2016	\$ 21,833

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

8. Financial instruments

a) Fair value

The fair values of cash, accounts receivable, bank overdraft and accounts payable and accrued liabilities are approximately equal to their carrying values due to their short term maturity dates. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest or currency risks arising from these financial instruments.

b) Credit risk

Funding and accounts receivable include nil (December 31, 2011 - \$85,991) from City of Kingston. This amount is not considered a credit risk as the amount is related to a signed funding agreement.

Cash is held at credit-worthy financial institutions.

9. Defined contribution pension plan

The organization is a member of a multi-employer defined contribution pension plan available to all full-time and permanent part-time employees working 20 hours or more weekly. There are no prior service costs associated with the plan. The organization's contributions for the period included in salaries and benefits were \$2,746 (December 31, 2011 - \$14,249), which is matched by the employee contribution to the plan.

10. Contingency

As described in Note 5, the organization received a 35 year forgivable loan. The loan will be forgiven providing the organization meets specified requirements under the terms of the funding agreement.