

JOHN HOWARD SOCIETY OF  
KINGSTON & DISTRICT

FINANCIAL STATEMENTS  
WITH AUDITORS' REPORT

MARCH 31, 2013





# Collins Blay LLP

## CHARTERED ACCOUNTANTS

### 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, 2013 and the statements of revenue and expenditures, changes in net assets and cash flows for the year 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 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.

#### 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, 2013, and its financial performance and its cash flows for the three months then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Comparative information

We draw attention to Note 1 to the financial statements which describes that John Howard Society of Kingston & District adopted the Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of January 1, 2012. The organization's transition date is January 1, 2012 because during 2012, the organization changed its fiscal year from December 31 to March 31. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and January 1, 2012 and the statements of revenue and expenditures, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information and, as such, it is neither audited nor reviewed.

Kingston, Ontario  
June 18, 2013

Collins Blay LLP

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, 2013

	<u>2013</u>	<u>Unaudited 2012</u>	<u>Unaudited January 1 2012</u>
<b>ASSETS</b>			
Current			
Accounts receivable	\$ 28,979	\$ 10,989	\$ 108,013
HST recoverable	13,051	10,170	40,916
Prepaid expenses	<u>11,259</u>	<u>10,990</u>	<u>12,679</u>
	<u>53,289</u>	<u>32,149</u>	<u>161,608</u>
Capital assets - Note 3	<u>1,187,883</u>	<u>1,237,240</u>	<u>1,247,289</u>
	<u>\$ 1,241,172</u>	<u>\$ 1,269,389</u>	<u>\$ 1,408,897</u>
<b>LIABILITIES</b>			
Current			
Bank overdraft	\$ 6,354	\$ 681	\$ 2,205
Bank indebtedness - Note 4	-	5,700	-
Accounts payable and accrued liabilities	44,180	57,065	171,277
Government remittances payable	4,907	4,079	-
Deferred revenue - Note 5	<u>4,221</u>	<u>4,221</u>	<u>632</u>
	<u>59,662</u>	<u>71,746</u>	<u>174,114</u>
Deferred contributions related to capital assets - Note 6	<u>1,000,337</u>	<u>1,048,608</u>	<u>1,055,699</u>
	<u>1,059,999</u>	<u>1,120,354</u>	<u>1,229,813</u>
<b>NET ASSETS</b>			
Investment in capital assets - Note 7	187,546	188,632	191,590
Unrestricted	<u>(6,373)</u>	<u>(39,597)</u>	<u>(12,506)</u>
	<u>181,173</u>	<u>149,035</u>	<u>179,084</u>
	<u>\$ 1,241,172</u>	<u>\$ 1,269,389</u>	<u>\$ 1,408,897</u>

Commitments - Note 8

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 YEAR ENDED MARCH 31, 2013

	2013		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 188,632	\$ (39,597)	\$ 149,035
Excess (expenditures) revenue for the year	(3,529)	35,667	32,138
Investment in capital assets	2,443	(2,443)	-
Balance - end of the year	\$ 187,546	\$ (6,373)	\$ 181,173

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

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



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2013

	2013	Unaudited Three months ended March 31 <u>2012</u>
<b>Revenue</b>		
Funding - Provincial government	\$ 674,188	\$ 170,070
- John Howard Society of Ontario	21,174	5,294
- City of Kingston	43,066	10,767
- Fund-raising	9,084	2,426
- Federal government	3,018	-
Memberships and donations	9,048	415
Rental income	132,406	11,935
Miscellaneous	1,317	24
Amortization of deferred contributions - Note 6	<u>48,271</u>	<u>10,622</u>
	<u>941,572</u>	<u>211,553</u>
<b>Expenditures</b>		
Accounting fees	31,636	6,621
Advertising and publishing	3,770	1,549
Amortization	51,800	13,580
Bank charges and interest	1,815	148
Building maintenance	29,596	8,163
Client costs	770	-
Equipment rental and repairs	253	2,511
Fund-raising	3,372	1,165
Insurance	7,642	1,689
Mileage, travel and conferences	10,914	3,659
Office	26,073	5,608
Professional fees	22,215	8,008
Program costs	62,510	34,247
Rent	41,513	10,110
Salaries and benefits	579,143	134,198
Staff development	5,741	-
Telephone	14,713	3,734
Utilities	<u>15,958</u>	<u>6,612</u>
	<u>909,434</u>	<u>241,602</u>
Excess revenue (expenditures) for the year	<u>\$ 32,138</u>	<u>\$ (30,049)</u>

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



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	Unaudited Three months ended March 31 <u>2012</u>
<b>Cash provided by operating activities</b>		
Excess revenue (expenditures) for the year	\$ 32,138	\$ (30,049)
Item not requiring an outlay of cash:		
Amortization of capital assets	51,800	13,580
Amortization of deferred contributions	<u>(48,271)</u>	<u>(10,622)</u>
	<u>35,667</u>	<u>(27,091)</u>
Net changes in non-cash working capital:		
Accounts receivable	(17,990)	97,024
HST recoverable	(2,881)	30,746
Prepaid expenses	(269)	1,689
Accounts payable and accrued liabilities	(12,885)	(114,212)
Government remittances payable	828	4,079
Deferred revenue	<u>-</u>	<u>3,589</u>
	<u>(33,197)</u>	<u>22,915</u>
Cash flows from operating activities	<u>2,470</u>	<u>(4,176)</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(2,443)	(3,531)
Contributions received for the purchase of capital assets	<u>-</u>	<u>3,531</u>
Cash flows from investing activities	<u>(2,443)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
(Repayment) proceeds from line of credit	(5,700)	5,700
Proceeds from (repayment of) bank overdraft	<u>5,673</u>	<u>(1,524)</u>
Cash flows from financing activities	<u>(27)</u>	<u>4,176</u>
Net increase in cash for the year	-	-
Cash at the beginning of the year	<u>-</u>	<u>-</u>
Cash at the end of the year	<u>\$ -</u>	<u>\$ -</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 YEAR ENDED MARCH 31, 2013

John Howard Society of Kingston & District is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada. The organization'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. Adoption of Accounting Standards for Not-for-Profit Organizations

Effective April 1, 2012, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework, Canadian accounting standards for not-for-profit organizations. These are the organization's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations, which have been applied retrospectively. The accounting policies set out in the following significant accounting policies note have been applied in preparing the financial statements for the three months ended March 31, 2012, the comparative information presented in these financial statements for the three months ended March 31, 2012 and in the preparation of an opening accounting standards for not-for-profit organizations balance sheet as at January 1, 2012.

These financial statements were prepared in accordance with Section 1501, First-time Adoption by Not-for-Profit Organizations. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the organization, other than the reclassification of government remittances payable included in current liabilities. Otherwise, no adjustments have been recorded in the comparative statement of financial position, statement of revenue and expenditures, statement of changes in net assets and the statement of cash flows. Certain of the organization's disclosures included in these financial statements reflect the new disclosure requirements of Canadian accounting standards for not-for-profit organizations. The organization has not elected to use the exemptions available in section 1501.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following 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.





# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 2. Significant accounting policies (continued)

#### b) Financial instruments

##### *Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recorded in the statement of revenue and expenditures.

Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at amortized cost include the bank overdraft, bank indebtedness and accounts payable and accrued liabilities.

#### c) 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 renovation project involved constructing nine bachelor units in the basement of the building and was completed during 2011.

#### d) 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 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.

#### e) 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.



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 3. Capital assets

	2013			2012 Net
	Cost	Accumulated Amortization	Net	
Land	\$ 87,200	\$ -	\$ 87,200	\$ 87,200
Building	1,161,611	96,515	1,065,096	1,097,818
Furniture and equipment	76,204	44,820	31,384	45,525
Computer hardware	21,755	17,552	4,203	6,697
	<u>\$ 1,346,770</u>	<u>\$ 158,887</u>	<u>\$ 1,187,883</u>	<u>\$ 1,237,240</u>

### 4. Bank credit facility

The organization has a line of credit with a limit of \$75,000 (2012 - \$75,000) of which nil (2012 - \$5,700) was drawn down at year 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 (2012 - \$3,000), of which \$808 (2012 - \$831) was utilized at period end and included in accounts payable and accrued liabilities.

### 5. Deferred revenue

	2013	2012
City of Kingston - Intake funding	\$ 3,589	\$ 3,589
McDougall Memorial Fund	632	632
	<u>\$ 4,221</u>	<u>\$ 4,221</u>

### 6. 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:

	2013	2012
Balance - beginning of the year	\$ 1,048,608	\$ 1,055,699
Add: Amounts received during the year	-	3,531
Less: Amounts amortized to revenue	(48,271)	(10,622)
Balance - end of the year	<u>\$ 1,000,337</u>	<u>\$ 1,048,608</u>

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.



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 6. Deferred contributions related to capital assets (continued)

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.

### 7. Net assets invested in capital assets

	<u>2013</u>	<u>2012</u>
Capital assets	\$ 1,187,883	\$ 1,237,240
Less: Deferred contributions related to capital assets	<u>1,000,337</u>	<u>1,048,608</u>
	<u>\$ 187,546</u>	<u>\$ 188,632</u>

### 8. 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:

2014	\$ 47,644
2015	\$ 48,286
2016	\$ 21,833

### 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 upon completion of two years of service. There are no prior service costs associated with the plan. The organization's contributions for the period included in salaries and benefits were \$12,058 (2012 - \$2,746).

### 10. Contingency

As described in Note 6, 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. This amount has been included in deferred contributions related to capital assets.



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 11. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations as at March 31, 2013.

#### a) Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the organization could incur a financial loss. One entity comprises 62% of accounts receivable, which is not considered a significant credit risk as a signed agreement is in place.

#### b) Liquidity risk

The organization has a short-term unsecured bank facility of up to \$75,000 in place should it be required to meet temporary fluctuations in cash requirements. At March 31, 2013, the bank facility had not been drawn upon.

#### Changes in risk

There have been no changes in the organization's risk exposure from the previous year other than those specific matters noted above.

### 12. Comparative amounts

Certain comparative amounts have been reclassified in order to conform with the financial statement presentation adopted in the current year.

