

**JOHN HOWARD SOCIETY OF  
KINGSTON & DISTRICT**

**FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT**

**MARCH 31, 2014**





# Collins Blay LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S 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, 2014 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.

### 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 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Collins Blay LLP*

# 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, 2014

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current		
Cash	\$ 109,727	\$ -
Accounts receivable	26,827	28,979
HST rebates recoverable	17,821	13,051
Prepaid expenses	<u>12,383</u>	<u>11,259</u>
	<u>166,758</u>	<u>53,289</u>
Capital assets - Note 2	<u>1,138,971</u>	<u>1,187,883</u>
	<u>\$ 1,305,729</u>	<u>\$ 1,241,172</u>
<b>LIABILITIES</b>		
Current		
Bank overdraft	\$ -	\$ 6,354
Accounts payable and accrued liabilities	43,455	39,905
Government remittances payable	11,851	9,182
Deferred revenue - Note 4	<u>19,775</u>	<u>4,221</u>
	<u>75,081</u>	<u>59,662</u>
Deferred contributions related to capital assets - Note 5	<u>959,304</u>	<u>1,000,337</u>
	<u>1,034,385</u>	<u>1,059,999</u>
<b>NET ASSETS</b>		
Investment in capital assets - Note 6	179,667	187,546
Unrestricted	<u>91,677</u>	<u>(6,373)</u>
	<u>271,344</u>	<u>181,173</u>
	<u>\$ 1,305,729</u>	<u>\$ 1,241,172</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 YEAR ENDED MARCH 31, 2014

	2014		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 187,546	\$ (6,373)	\$ 181,173
Excess (expenditures) revenue for the year	(8,555)	98,726	90,171
Investment in capital assets	676	(676)	-
Balance - end of the year	\$ 179,667	\$ 91,677	\$ 271,344

	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



*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, 2014

	2014	2013
Revenue		
Government funding - Provincial	\$ 1,004,034	\$ 674,188
- Municipal	43,066	43,066
- Federal	2,948	3,018
John Howard Society of Ontario	21,174	21,174
Rental income	154,724	132,406
Apartment rental income	7,179	-
Fund-raising	15,856	9,084
Memberships and donations	2,774	9,048
Miscellaneous	784	1,317
Amortization of deferred contributions - Note 5	44,792	48,271
	<u>1,297,331</u>	<u>941,572</u>
Expenditures		
Advertising and publishing	39,296	3,770
Amortization of capital assets	53,347	51,800
Apartment rent and maintenance	6,431	-
Bank charges and interest	688	1,815
Client costs	962	770
Fund-raising	2,895	3,372
Insurance	7,948	7,642
Mileage, travel and conferences	24,823	10,914
Office	48,060	57,709
Professional fees	15,313	22,215
Program support payments	197,973	62,510
Rent	44,625	41,513
Repairs and maintenance	23,035	29,848
Salaries and benefits	684,433	579,143
Staff development	16,549	5,741
Telephone and utilities	40,782	30,672
	<u>1,207,160</u>	<u>909,434</u>
Excess revenue for the year	<u>\$ 90,171</u>	<u>\$ 32,138</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, 2014

	2014	2013
<b>Cash provided by operating activities</b>		
Excess revenue for the year	\$ 90,171	\$ 32,138
Item not requiring an outlay of cash:		
Amortization of capital assets	53,347	51,800
Amortization of deferred contributions	(44,792)	(48,271)
	98,726	35,667
Net changes in non-cash working capital:		
Accounts receivable	2,152	(17,990)
HST rebates recoverable	(4,770)	(2,881)
Prepaid expenses	(1,124)	(269)
Accounts payable and accrued liabilities	3,550	(12,885)
Government remittances payable	2,669	828
Deferred revenue	15,554	-
	18,031	(33,197)
Cash flows from operating activities	116,757	2,470
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(676)	(2,443)
<b>Cash flows from financing activities</b>		
Repayment from line of credit	-	(5,700)
(Repayment of) proceeds from bank overdraft	(6,354)	5,673
Cash flows from financing activities	(6,354)	(27)
Net increase in cash for the year	109,727	-
Cash at the beginning of the year	-	-
Cash at the end of the year	\$ 109,727	\$ -



*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, 2014

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 provide effective, just and humane responses to crime and its causes. To further this mission, the organization provides a wide range of community based services in the areas of employment, housing and court services, as well as providing pre-release planning and support to individuals serving time in Kingston's correctional institutions.

### 1. 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 on a monthly basis.

#### b) 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 cash and accounts receivable. Financial liabilities measured at amortized cost include the bank overdraft 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.



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### 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.

#### e) 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.

### 2. Capital assets

	2014			2013
	Cost	Accumulated Amortization	Net	
Land	\$ 87,200	\$ -	\$ 87,200	\$ 87,200
Building	1,161,611	129,237	1,032,374	1,065,096
Furniture and equipment	76,204	60,061	16,143	31,384
Computer hardware	26,190	22,936	3,254	4,203
	<u>\$ 1,351,205</u>	<u>\$ 212,234</u>	<u>\$ 1,138,971</u>	<u>\$ 1,187,883</u>

### 3. Bank credit facility

The organization has a line of credit with a limit of \$75,000 (2013 - \$75,000) of which nil (2013 - nil) 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 (2013 - \$3,000), of which \$1,356 (2013 - \$808) was utilized at period end and included in accounts payable and accrued liabilities.

### 4. Deferred revenue

	2014	2013
City of Kingston - Intake funding	\$ 3,589	\$ 3,589
Ministry of the Attorney General - Bail start-up	15,604	-
McDougall Memorial Fund	582	632
	<u>\$ 19,775</u>	<u>\$ 4,221</u>





# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### 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:

	2014	2013
Balance - beginning of the year	\$ 1,000,337	\$ 1,048,608
Add: Amounts received during the year	3,759	-
Less: Amounts amortized to revenue	(44,792)	(48,271)
Balance - end of the year	\$ 959,304	\$ 1,000,337

In 2011, funding was received from the City of Kingston in the amount of \$859,912 in the form of a 35 year forgivable loan. The forgivable loan balance is included in the balance of deferred contributions above and is being recorded as forgiven in equal annual amounts over 35 years.

### 6. Net assets invested in capital assets

	2014	2013
Capital assets	\$ 1,138,971	\$ 1,187,883
Less: Deferred contributions related to capital assets	959,304	1,000,337
	\$ 179,667	\$ 187,546

### 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:

2015	\$ 48,286
2016	\$ 21,833

### 8. 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 \$3,221 (2013 - \$12,058).



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### 9. Financial risks

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, 2014.

#### 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 funding entity comprises 76% (2013 - 62%) of accounts receivable, which is not considered a significant credit risk as a signed agreement is in place.

#### b) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due.

The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

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, 2014, 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.

### 10. Comparative amounts

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

