

**JOHN HOWARD SOCIETY OF
KINGSTON & DISTRICT**

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

MARCH 31, 2016





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 John Howard Society of Kingston & District, which comprise the statement of financial position as at March 31, 2016 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 control 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, 2016, 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

Chartered Professional Accountants
Licensed Public Accountants

Kingston, Ontario
May 31, 2016

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, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Current		
Cash	\$ -	\$ 89,304
Accounts receivable	178,838	103,541
HST rebates recoverable	73,295	39,092
Prepaid expenses	<u>13,787</u>	<u>95,583</u>
	<u>265,920</u>	<u>327,520</u>
Capital assets - Note 2	<u>1,534,907</u>	<u>1,139,619</u>
	<u>\$ 1,800,827</u>	<u>\$ 1,467,139</u>
LIABILITIES		
Current		
Bank overdraft	\$ 86,389	\$ -
Accounts payable and accrued liabilities	83,457	84,953
Government remittances payable	5,149	-
Deferred revenue - Note 3	<u>102,644</u>	<u>43,327</u>
	<u>277,639</u>	<u>128,280</u>
Deferred contributions related to capital assets - Note 4	<u>887,332</u>	<u>925,838</u>
	<u>1,164,971</u>	<u>1,054,118</u>
NET ASSETS		
Investment in capital assets - Note 5	647,575	213,781
Unrestricted	<u>(11,719)</u>	<u>199,240</u>
	<u>635,856</u>	<u>413,021</u>
	<u>\$ 1,800,827</u>	<u>\$ 1,467,139</u>

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, 2016

	2016		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 213,781	\$ 199,240	\$ 413,021
Excess (expenditures) revenue for the year	(35,192)	258,027	222,835
Investment in capital assets	468,986	(468,986)	-
Balance (deficit) - end of the year	\$ 647,575	\$ (11,719)	\$ 635,856

	2015		
	Investment in Capital Assets	Unrestricted	Total
Balance - beginning of the year	\$ 179,667	\$ 91,677	\$ 271,344
Excess (expenditures) revenue for the year	(18,077)	159,754	141,677
Investment in capital assets	52,191	(52,191)	-
Balance - end of the year	\$ 213,781	\$ 199,240	\$ 413,021

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, 2016

	2016	2015
Revenue		
Government funding - Provincial	\$ 1,726,078	\$ 1,566,492
- Municipal	-	32,300
- Federal	-	3,079
John Howard Society of Ontario	21,174	15,881
John Howard Society of Canada	-	9,000
Rental income	480,950	223,240
Apartment rental income	4,528	6,391
Fund-raising	62,166	22,871
Memberships and donations	-	2,072
Canada Mortgage and Housing Corporation grant	-	10,000
Miscellaneous	71	88
Donations	37,189	-
Amortization of deferred contributions - Note 4	38,557	43,466
	<u>2,370,713</u>	<u>1,934,880</u>
Expenditures		
Administration	557	-
Advertising and publishing	57,645	92,176
Amortization of capital assets	73,749	61,543
Apartment rent and maintenance	1,760	2,709
Bank charges and interest	1,702	1,112
Client costs	24,790	11,688
Fund-raising	24,355	3,593
Insurance	12,746	8,171
Mileage, travel and conferences	30,653	20,253
Miscellaneous	1,412	-
Office	85,464	49,639
Professional fees	27,873	14,224
Program support payments	378,858	376,467
Rent	113,782	84,681
Repairs and maintenance	72,315	30,871
Salaries and benefits	1,164,848	954,897
Staff development	27,101	20,549
Telephone and utilities	48,268	60,630
	<u>2,147,878</u>	<u>1,793,203</u>
Excess revenue for the year	<u>\$ 222,835</u>	<u>\$ 141,677</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, 2016

	<u>2016</u>	<u>2015</u>
Cash provided by operating activities		
Excess revenue for the year	\$ 222,835	\$ 141,677
Item not requiring an outlay of cash:		
Amortization of capital assets	73,749	61,543
Amortization of deferred contributions	<u>(38,557)</u>	<u>(43,466)</u>
	<u>258,027</u>	<u>159,754</u>
Net changes in non-cash working capital:		
Accounts receivable	(75,297)	(76,714)
HST rebates recoverable	(34,203)	(21,271)
Prepaid expenses	81,796	(83,200)
Accounts payable and accrued liabilities	(1,496)	41,498
Government remittances payable	5,149	(11,851)
Deferred revenue	<u>59,317</u>	<u>23,552</u>
	<u>35,266</u>	<u>(127,986)</u>
Cash flows from operating activities	<u>293,293</u>	<u>31,768</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(468,986)</u>	<u>(52,191)</u>
Net decrease in cash for the year	(175,693)	(20,423)
Cash at the beginning of the year	<u>89,304</u>	<u>109,727</u>
(Bank overdraft) cash at the end of the year	<u>\$ (86,389)</u>	<u>\$ 89,304</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, 2016

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 prerelease 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) 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.

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

b) 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.

Fund-raising, membership and donation revenue is recognized when received.

Rental revenue is recognized when earned on a monthly basis.

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. Renovations to buildings and 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

Leasehold improvements are amortized over 11 years using the straight-line method which represents the term of the lease plus one renewal term.



JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

1. Significant accounting policies (continued)

d) Donated materials and services

The work of the organization is dependent on 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 earnings in the period in which they become known. Significant estimates include accrued liabilities and the amortization period of capital assets.

2. Capital assets

	2016			2015
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 87,200	\$ -	\$ 87,200	\$ 87,200
Building	1,593,188	195,573	1,397,615	1,014,810
Furniture and equipment	117,223	98,954	18,269	9,772
Computer hardware	59,964	48,496	11,468	5,422
Leasehold improvements	<u>24,857</u>	<u>4,502</u>	<u>20,355</u>	<u>22,415</u>
	<u>\$ 1,882,432</u>	<u>\$ 347,525</u>	<u>\$ 1,534,907</u>	<u>\$ 1,139,619</u>



JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

3. Deferred revenue

	2016	2015
MTCU - COJG funding	\$ 31,535	\$ -
MTCU - YEF funding	-	42,820
John Howard Society of Kingston	5,293	-
MTCU - YJC funding	65,816	-
McDougall Memorial Fund	-	507
	\$ 102,644	\$ 43,327

4. 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 year are as follows:

	2016	2015
Balance - beginning of the year	\$ 925,838	\$ 959,304
Add: Amounts received during the year	10,051	10,000
Less: CMHC repayment	(10,000)	-
Less: Amounts amortized to revenue	(38,557)	(43,466)
Balance - end of the year	\$ 887,332	\$ 925,838

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.

5. Net assets invested in capital assets

	2016	2015
Capital assets	\$ 1,534,907	\$ 1,139,619
Less: Deferred contributions related to capital assets	887,332	925,838
	\$ 647,575	\$ 213,781



JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

6. Commitments

The organization leases two premises under the terms of lease agreements, one of which expires on April 30, 2016. The organization also leases office equipment. Future annual minimum payments, including the non-recoverable portion of the HST, are as follows:

2017	\$ 64,749
2018	64,749
2019	66,997
2020	70,145
2021	<u>40,918</u>
	<u>\$ 307,558</u>

7. 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 \$11,693 (2015 - \$9,216).

8. Financial instruments risks

The organization is exposed to the following risks relating to its financial instruments. The organization monitors these risks on an on-going basis through normal operations.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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 organization could incur a financial loss. Two funding entities comprise 92% (2015 - 83%) of accounts receivable, which is not considered a significant credit risk as signed agreements are 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 to meet temporary fluctuations in cash requirements.

Changes in risk

There have been no changes in the organization's risk exposure from the previous year.



JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

9. Subsequent event

Subsequent to March 31, 2016, the organization entered into a financing agreement with RBC providing access to \$100,000 in credit facilities and a \$250,000 fixed rate term loan.

