

**JOHN HOWARD SOCIETY OF  
KINGSTON & DISTRICT**

**FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT**

**MARCH 31, 2018**





## 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, 2018 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, 2018, 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*

Kingston, Ontario  
May 23, 2018

Chartered Professional 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, 2018

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current		
Cash	\$ 710,023	\$ 385,563
Accounts receivable	174,688	376,726
HST rebates recoverable	32,653	24,190
Prepaid expenses	<u>23,544</u>	<u>15,795</u>
	<u>940,908</u>	<u>802,274</u>
Capital assets - Note 2	<u>1,530,122</u>	<u>1,535,042</u>
	<u>\$ 2,471,030</u>	<u>\$ 2,337,316</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 56,676	\$ 230,542
Government remittances payable	7,872	7,260
Deferred revenue - Note 3	59,523	18,076
Current portion of long-term debt - Note 4	<u>49,791</u>	<u>48,091</u>
	<u>173,862</u>	<u>303,969</u>
Long-term debt - Note 4	<u>109,479</u>	<u>159,281</u>
Deferred contributions related to capital assets - Note 5	<u>854,861</u>	<u>867,886</u>
	<u>1,138,202</u>	<u>1,331,136</u>
<b>NET ASSETS</b>		
Investment in capital assets - Note 6	675,261	667,156
Internally restricted operating reserve - Note 7	300,395	150,000
Unrestricted	<u>357,172</u>	<u>189,024</u>
	<u>1,332,828</u>	<u>1,006,180</u>
	<u>\$ 2,471,030</u>	<u>\$ 2,337,316</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, 2018

	2018			
	Investment in Capital Assets	Internally Restricted Operating Reserve	Unrestricted	Total
Balance - beginning of the year	\$ 667,156	\$ 150,000	\$ 189,024	\$ 1,006,180
Excess (expenditures) revenue for the year	(31,699)	395	357,952	326,648
Investment in capital assets	39,804	-	(39,804)	-
Transfers - Note 7	-	150,000	(150,000)	-
Balance - end of the year	<u>\$ 675,261</u>	<u>\$ 300,395</u>	<u>\$ 357,172</u>	<u>\$ 1,332,828</u>

	2017			
	Investment in Capital Assets	Internally restricted Institutional Reserve	Unrestricted	Total
Balance (deficit) - beginning of the year	\$ 647,575	\$ -	\$ (11,719)	\$ 635,856
Excess (expenditures) revenue for the year	(25,444)	-	395,768	370,324
Investment in capital assets	45,025	-	(45,025)	-
Transfers - Note 7	-	150,000	(150,000)	-
Balance - end of the year	<u>\$ 667,156</u>	<u>\$ 150,000</u>	<u>\$ 189,024</u>	<u>\$ 1,006,180</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 YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Revenue		
Government funding - Provincial	\$ 2,650,727	\$ 2,370,821
- Municipal	1,500	-
- Federal	5,411	6,055
John Howard Society of Ontario	16,110	26,468
Rental income	784,802	750,825
Fund-raising and donations	27,117	23,369
Amortization of deferred contributions - Note 5	<u>48,134</u>	<u>35,796</u>
	<u>3,533,801</u>	<u>3,213,334</u>
Expenditures		
Advertising and publishing	78,138	71,837
Amortization of capital assets	79,833	61,240
Apartment rent and maintenance	735	2,969
Bank charges and interest	1,983	2,447
Client costs	56,626	47,752
Fund-raising	5,685	3,100
Insurance	10,390	9,132
Interest on long-term debt	6,433	7,372
Mileage, travel and conferences	47,221	28,236
Miscellaneous	5,387	5,307
Office	112,734	91,114
Professional fees	57,464	29,689
Program support payments	743,262	802,472
Rent	120,786	102,608
Repairs and maintenance	59,259	69,514
Salaries and benefits	1,697,846	1,395,302
Staff development	68,638	58,423
Telephone and utilities	<u>54,733</u>	<u>54,496</u>
	<u>3,207,153</u>	<u>2,843,010</u>
Excess revenue for the year	<u>\$ 326,648</u>	<u>\$ 370,324</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, 2018

	<u>2018</u>	<u>2017</u>
<b>Cash provided by operating activities</b>		
Excess revenue for the year	\$ 326,648	\$ 370,324
Item not requiring an outlay of cash:		
Amortization of capital assets	79,833	61,240
Amortization of deferred contributions	<u>(48,134)</u>	<u>(35,796)</u>
	<u>358,347</u>	<u>395,768</u>
Net changes in non-cash working capital:		
Accounts receivable	202,038	(197,888)
HST rebates recoverable	(8,463)	49,105
Prepaid expenses	(7,749)	(2,008)
Accounts payable and accrued liabilities	(173,866)	147,085
Government remittances payable	612	2,111
Deferred revenue	<u>41,447</u>	<u>(84,568)</u>
	<u>54,019</u>	<u>(86,163)</u>
Cash flows from operating activities	<u>412,366</u>	<u>309,605</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(74,913)	(61,375)
Contributions received for the purchase of capital assets	<u>35,109</u>	<u>16,350</u>
Cash flows from investing activities	<u>(39,804)</u>	<u>(45,025)</u>
<b>Cash flows from financing activities</b>		
(Repayment) advance of long-term debt	<u>(48,102)</u>	<u>207,372</u>
Net increase in cash for the year	324,460	471,952
Cash (bank overdraft) at the beginning of the year	<u>385,563</u>	<u>(86,389)</u>
Cash at the end of the year	<u>\$ 710,023</u>	<u>\$ 385,563</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, 2018

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) 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 include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

#### 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 and donation revenue is recognized when received.

Rental revenue is recognized when earned on a monthly basis.

#### c) Amortization

Land and building were 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
Paving	20 years
Furniture and equipment	5 years
Computer hardware	2 years

Leasehold improvements are amortized using the straight-line method over the remaining 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, 2018

### 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, deferred revenue and the amortization period of capital assets.

### 2. Capital assets

	2018			2017
	Cost	Accumulated Amortization	Net	Net
Land	\$ 87,200	\$ -	\$ 87,200	\$ 87,200
Building	1,633,229	287,964	1,345,265	1,391,461
Paving	24,836	1,242	23,594	-
Leasehold improvements	42,116	11,486	30,630	18,096
Furniture and equipment	142,590	108,238	34,352	32,973
Computer hardware	<u>88,749</u>	<u>79,668</u>	<u>9,081</u>	<u>5,312</u>
	<u>\$ 2,018,720</u>	<u>\$ 488,598</u>	<u>\$ 1,530,122</u>	<u>\$ 1,535,042</u>

### 3. Deferred revenue

	2018	2017
MAESD - COJG funding	\$ -	\$ 7,361
MAG - Bail funding	-	10,715
MAESD - Pre-Apprenticeship Training Program	<u>59,523</u>	<u>-</u>
	<u>\$ 59,523</u>	<u>\$ 18,076</u>





# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

### 4. Long-term debt

	<u>2018</u>	<u>2017</u>
Royal Bank of Canada, fixed term loan, repayable in blended monthly instalments of \$4,545, interest at 3.48%, due April, 2021	\$ 159,270	\$ 207,372
Less: Current portion	<u>49,791</u>	<u>48,091</u>
	<u>\$ 109,479</u>	<u>\$ 159,281</u>

Principal repayments due within the next four years are as follows:

2019	\$ 49,791
2020	51,552
2021	53,375
2022	<u>4,552</u>
	<u>\$ 159,270</u>

The organization has a bank overdraft facility in place with a limit of \$100,000 (2017 - \$100,000). As at March 31, 2018 nil (2017 - nil) of this available credit had been utilized. The organization also has five credit cards held by staff with a total limit of \$25,000.

### 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 year are as follows:

	<u>2018</u>	<u>2017</u>
Balance - beginning of the year	\$ 867,886	\$ 887,332
Add: Amounts received during the year	35,109	16,350
Less: Amounts amortized to revenue	<u>(48,134)</u>	<u>(35,796)</u>
Balance - end of the year	<u>\$ 854,861</u>	<u>\$ 867,886</u>

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

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 1,530,122	\$ 1,535,042
Less: Deferred contributions related to capital assets	<u>854,861</u>	<u>867,886</u>
	<u>\$ 675,261</u>	<u>\$ 667,156</u>



# JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

### 7. Internally restricted operating reserve

The operating reserve accounts for funds set aside in a separate bank account to ensure funds are available to cover unexpected revenue loss or expenditures that would result in a serious interruption of service. During the year, the board approved a transfer of \$150,000 (2017 - \$150,000) to this fund.

### 8. Commitments

The organization leases four premises under the terms of operating lease agreements. The organization also leases office equipment. Future annual minimum payments, including the non-recoverable portion of the HST, are as follows:

2019	\$ 84,775
2020	87,670
2021	60,786
2022	<u>23,149</u>
	<u>\$ 256,380</u>

### 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 year included in salaries and benefits were \$22,393 (2017 - \$13,684).

### 10. 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 the organization could incur a financial loss. Two funding entities comprise 92% (2017 - two entities comprise 99%) of accounts receivable, which is not considered a significant credit risk as signed agreements are in place.

#### Changes in risk

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

