

**JOHN HOWARD SOCIETY OF
KINGSTON & DISTRICT**

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

MARCH 31, 2019



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2019 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.

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, 2019 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the John Howard Society of Kingston & District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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. In preparing the financial statements, management is responsible for assessing the John Howard Society of Kingston & District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the John Howard Society of Kingston & District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the John Howard Society of Kingston & District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 John Howard Society of Kingston & District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the John Howard Society of Kingston & District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The financial statements of the John Howard Society of Kingston & District for the year ended March 31, 2018 were audited by Collins Blay LLP of Kingston, ON, Canada, prior to its merger with MNP LLP. Collins Blay LLP expressed an unmodified opinion on those statements on May 23, 2018.

Kingston, Ontario
May 29, 2019

MNP LLP

**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, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current		
Cash - Note 2	\$ 985,677	\$ 710,023
Accounts receivable	119,582	174,688
HST rebates recoverable	41,569	32,653
Prepaid expenses	<u>13,293</u>	<u>23,544</u>
	<u>1,160,121</u>	<u>940,908</u>
Capital assets - Note 3	<u>1,524,688</u>	<u>1,530,122</u>
	<u>\$ 2,684,809</u>	<u>\$ 2,471,030</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 71,906	\$ 56,676
Government remittances payable	7,260	7,872
Deferred revenue - Note 4	-	59,523
Current portion of long-term debt - Note 5	<u>51,552</u>	<u>49,791</u>
	<u>130,718</u>	<u>173,862</u>
Long-term debt - Note 5	<u>57,927</u>	<u>109,479</u>
Deferred contributions related to capital assets - Note 6	<u>869,829</u>	<u>854,861</u>
	<u>1,058,474</u>	<u>1,138,202</u>
NET ASSETS		
Investment in capital assets - Note 7	654,859	675,261
Internally restricted operating reserve - Note 8	555,136	300,395
Unrestricted	<u>416,340</u>	<u>357,172</u>
	<u>1,626,335</u>	<u>1,332,828</u>
	<u>\$ 2,684,809</u>	<u>\$ 2,471,030</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, 2019**

	2019			
	<u>Investment in Capital Assets</u>	<u>Internally Restricted Operating Reserve</u>	<u>Unrestricted</u>	<u>Total</u>
Balance - beginning of the year	\$ 675,261	\$ 300,395	\$ 357,172	\$ 1,332,828
Excess (expenditures) revenue for the year	(30,942)	4,741	319,708	293,507
Investment in capital assets	10,540	-	(10,540)	-
Transfers - Note 7	<u>-</u>	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
Balance - end of the year	<u>\$ 654,859</u>	<u>\$ 555,136</u>	<u>\$ 416,340</u>	<u>\$ 1,626,335</u>

	2018			
	<u>Investment in Capital Assets</u>	<u>Internally Restricted Operating Reserve</u>	<u>Unrestricted</u>	<u>Total</u>
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	<u>-</u>	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>
Balance - end of the year	<u>\$ 675,261</u>	<u>\$ 300,395</u>	<u>\$ 357,172</u>	<u>\$ 1,332,828</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, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Government funding - Provincial	\$ 2,998,484	\$ 2,650,727
- Municipal	15,071	1,500
- Federal	3,727	5,411
John Howard Society of Ontario	21,404	16,110
Rental income	800,988	784,802
Fund-raising and donations	26,682	27,117
Interest income	4,761	-
Amortization of deferred contributions - Note 6	<u>86,359</u>	<u>48,134</u>
	<u>3,957,476</u>	<u>3,533,801</u>
Expenditures		
Advertising and publishing	104,253	78,138
Amortization of capital assets	117,301	79,833
Bank charges and interest	2,202	1,983
Client costs	60,579	56,626
Fund-raising	3,088	5,685
Insurance	10,080	10,390
Interest on long-term debt	4,753	6,433
Mileage, travel and conferences	63,527	47,221
Miscellaneous	961	5,387
Office	114,414	112,734
Professional fees	68,878	57,464
Program support payments	857,345	743,262
Rent	129,927	120,786
Repairs and maintenance	83,429	59,994
Salaries and benefits	1,886,762	1,697,846
Staff development	105,544	68,638
Telephone and utilities	<u>50,926</u>	<u>54,733</u>
	<u>3,663,969</u>	<u>3,207,153</u>
Excess revenue for the year	<u>\$ 293,507</u>	<u>\$ 326,648</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, 2019

	2019	2018
Cash provided by operating activities		
Excess revenue for the year	\$ 293,507	\$ 326,648
Item not requiring an outlay of cash:		
Amortization of capital assets	117,301	79,833
Amortization of deferred contributions	(86,359)	(48,134)
	324,449	358,347
Net changes in non-cash working capital:		
Accounts receivable	55,106	202,038
HST rebates recoverable	(8,916)	(8,463)
Prepaid expenses	10,251	(7,749)
Accounts payable and accrued liabilities	15,230	(173,866)
Government remittances payable	(612)	612
Deferred revenue	(59,523)	41,447
	11,536	54,019
Cash flows from operating activities	335,985	412,366
Cash flows from investing activities		
Purchase of capital assets	(111,867)	(74,913)
Contributions received for the purchase of capital assets	101,327	35,109
Cash flows from investing activities	(10,540)	(39,804)
Cash flows from financing activities		
Repayment of long-term debt	(49,791)	(48,102)
Net increase in cash for the year	275,654	324,460
Cash at the beginning of the year	710,023	385,563
Cash at the end of the year	\$ 985,677	\$ 710,023

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, 2019

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
Computer hardware	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, 2019

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. Bank credit facility

The organization has a bank overdraft facility in place with a limit of \$100,000 (2018 - \$100,000) of which nil (2018 - nil) was drawn down at year end.

The organization also has five credit cards held by staff with a limit of \$27,000 (2018 - \$25,000), of which \$11,078 (2018 - \$7,587) was utilized at year end and is included in accounts payable and accrued liabilities.

3. Capital assets

	2019			2018 Net
	Cost	Accumulated Amortization	Net	
Land	\$ 87,200	\$ -	\$ 87,200	\$ 87,200
Building	1,641,217	334,389	1,306,828	1,345,265
Paving	24,836	2,483	22,353	23,594
Furniture and equipment	173,887	127,775	46,112	34,352
Computer hardware	161,332	125,040	36,292	9,081
Leasehold improvements	<u>42,116</u>	<u>16,213</u>	<u>25,903</u>	<u>30,630</u>
	<u>\$ 2,130,588</u>	<u>\$ 605,900</u>	<u>\$ 1,524,688</u>	<u>\$ 1,530,122</u>

4. Deferred revenue

	2019	2018
MAESD - Pre-Apprenticeship Training Program	<u>\$ -</u>	<u>\$ 59,523</u>

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

5. Long-term debt

	<u>2019</u>	<u>2018</u>
Royal Bank of Canada, fixed term loan, repayable in blended monthly instalments of \$4,545, interest at 3.48%, due April, 2021	\$ 109,479	\$ 159,270
Less: Current portion	<u>51,552</u>	<u>49,791</u>
	<u>\$ 57,927</u>	<u>\$ 109,479</u>

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

2021	\$ 51,552
2022	53,375
2023	<u>4,552</u>
	<u>\$ 109,479</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 year are as follows:

	<u>2019</u>	<u>2018</u>
Balance - beginning of the year	\$ 854,861	\$ 867,886
Add: Amounts received during the year	101,327	35,109
Less: Amounts amortized to revenue	<u>(86,359)</u>	<u>(48,134)</u>
Balance - end of the year	<u>\$ 869,829</u>	<u>\$ 854,861</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.

7. Net assets invested in capital assets

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 1,524,688	\$ 1,530,122
Less: Deferred contributions related to capital assets	<u>869,829</u>	<u>854,861</u>
	<u>\$ 654,859</u>	<u>\$ 675,261</u>

JOHN HOWARD SOCIETY OF KINGSTON & DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

8. 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 \$250,000 (2018 - \$150,000) to this fund.

9. 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:

2020	\$ 87,670
2021	60,786
2022	<u>23,149</u>
	<u>\$ 171,605</u>

10. 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 \$24,703 (2018 - \$22,393).

11. 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.

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 93% (2018 - two entities comprised 92%) 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.