

John Howard Society of Kingston & District
Financial Statements
March 31, 2020

Independent Auditor's Report

To the Board of John Howard Society of Kingston & District:

Opinion

We have audited the financial statements of John Howard Society of Kingston & District (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Kingston, Ontario
May 27, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

John Howard Society of Kingston & District Statement of Financial Position

As at March 31, 2020

	2020	2019
Assets		
Current		
Cash	1,539,061	985,677
Accounts receivable	71,516	119,582
HST receivable	25,711	41,569
Prepaid expenses	13,293	13,293
	1,649,581	1,160,121
Capital assets (Note 4)	1,430,995	1,524,688
	3,080,576	2,684,809
Liabilities		
Current		
Accounts payable and accrued liabilities	96,800	71,905
Government remittances payable	10,026	7,260
Current portion of long-term debt (Note 5)	53,375	51,552
	160,201	130,717
Long-term debt (Note 5)	4,552	57,927
Deferred contributions related to capital assets (Note 6)	800,887	869,829
	805,439	927,756
	965,640	1,058,473
Subsequent events (Note 13)		
Net Assets		
Investment in Capital Assets (Note 7)	630,108	654,860
Internally Restricted Operating Reserve (Note 8)	1,005,136	555,136
Unrestricted	479,692	416,340
	2,114,936	1,626,336
	3,080,576	2,684,809

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 Operations

For the year ended March 31, 2020

	2020	2019
Revenue		
Government funding		
Provincial	2,866,493	2,998,484
Municipal	600	15,071
Federal	4,324	3,727
John Howard Society of Ontario	21,174	21,404
Rental income	826,949	800,988
Fundraising and donations	35,564	26,682
Interest income	11,666	4,761
Amortization of deferred contributions <i>(Note 6)</i>	82,357	86,359
Total revenue	3,849,127	3,957,476
Expenses		
Advertising and publishing	106,659	104,253
Amortization of capital assets	112,907	117,301
Bank charges and interest	2,308	2,202
Client costs	38,611	60,579
Fundraising	2,294	3,088
Insurance	13,326	10,080
Interest on long-term debt	2,993	4,753
Internet	5,490	5,501
Membership fees	33,115	27,682
Miscellaneous	818	961
Office	102,194	114,414
Professional fees	30,403	68,878
Program support payments	651,253	857,345
Rent	119,000	129,927
Repairs and maintenance	59,327	83,429
Salaries and benefits <i>(Note 10)</i>	1,920,522	1,886,762
Telephone	19,101	19,675
Training and education	82,439	105,544
Travel	32,685	35,845
Utilities	25,081	25,750
Total expenses	3,360,526	3,663,969
Excess revenue over expenses	488,601	293,507

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, 2020

	<i>Investment in Capital Assets</i>	<i>Internally Restricted Operating Reserve</i>	<i>Unrestricted</i>	2020	<i>2019</i>
Balance - beginning of the year	654,859	555,136	416,340	1,626,335	1,332,828
Excess revenue over expenses	(30,550)	-	519,151	488,601	293,507
Investment in capital assets	5,799	-	(5,799)	-	-
Transfers - Note 8	-	450,000	(450,000)	-	-
Balance - end of the year	630,108	1,005,136	479,692	2,114,936	1,626,335

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess revenue over expenses	488,601	293,507
Amortization	112,906	117,301
Amortization of deferred contributions	(82,357)	(86,359)
	519,150	324,449
Changes in working capital accounts		
Accounts receivable	48,066	55,106
HST rebates receivable	15,858	(8,916)
Prepaid expenses and deposits	-	10,251
Accounts payable and accruals	27,660	14,618
Deferred revenue	-	(59,523)
	610,734	335,985
Financing		
Repayment of long-term debt	(51,552)	(49,791)
Investing		
Purchase of capital assets	(19,213)	(111,867)
Contributions received for the purchase of capital assets	13,415	101,327
	(5,798)	(10,540)
Increase in cash resources	553,384	275,654
Cash resources, beginning of year	985,677	710,023
Cash resources, end of year	1,539,061	985,677

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, 2020

1. Incorporation and nature of the Organization

John Howard Society of Kingston & District (the "Organization") 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.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

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 expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Fundraising and donation revenue is recognized when received.

Rental income is recognized when earned on a monthly basis under the terms of agreements in place.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or 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.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. Any amount to reverse is recognized in the excess of excess in the year the reversal occurs.

John Howard Society of Kingston & District Notes to the Financial Statements

For the year ended March 31, 2020

Capital assets

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. Purchased capital assets, renovations to buildings and other capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Leasehold improvements are amortized using the straight-line method over the remaining term of the lease plus one renewal term.

Building	35 - 40 years
Paving	20 years
Computer equipment	5 years
Computer equipment	2 years

Contributed 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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known. Significant estimates include accrued liabilities, deferred revenue and the amortization period of capital assets.

Employee future benefits

The multi-employer pension plan is accounted for as a defined contribution plan by the Organization because it is not practicable to determine the present value of the Organization's obligations, the fair value of the plan assets or the related current service cost applicable to the Organization's employees. The Organization recognizes its contributions to the plan as a pension expense and the amount is included in salaries and benefits expenses.

3. Credit facilities

The Organization has a bank overdraft facility in place with a limit of \$100,000 (2019 - \$100,000) of which nil (2019 - nil) was drawn down at year end.

The Organization has a credit card facility with a limit of \$27,000 (2019 - \$27,000), of which \$18,145 (2019 - \$11,078) was utilized at year end and is included in accounts payable and accrued liabilities.

John Howard Society of Kingston & District Notes to the Financial Statements

For the year ended March 31, 2020

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Land	87,200	-	87,200	87,200
Building	1,641,217	380,814	1,260,403	1,306,828
Paved surfaces	24,836	3,725	21,111	22,352
Furniture and fixtures	182,893	146,895	35,998	46,112
Computer equipment	171,539	166,435	5,104	36,292
Leasehold improvements	42,116	20,937	21,179	25,904
	2,149,801	718,806	1,430,995	1,524,688

In 2019, total cost of capital assets amounted to \$2,130,588 and total accumulated amortization amounted to \$605,900.

5. Long-term debt

	<i>2020</i>	<i>2019</i>
Royal Bank of Canada, fixed term loan, repayable in blended monthly instalments of \$4,545, interest at 3.48%, due April, 2021	57,927	109,479
Less: Current portion	53,375	51,552
	4,552	57,927

Principal repayments on long-term debt in each of the next two years

	<i>Principal</i>
2021	53,375
2022	4,552
	57,927

6. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	<i>2020</i>	<i>2019</i>
Balance, beginning of year	869,829	854,861
Amount received during the year	13,415	101,327
Less: Amounts recognized as revenue during the year	(82,357)	(86,359)
Balance, end of year	800,887	869,829

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.

John Howard Society of Kingston & District
Notes to the Financial Statements
For the year ended March 31, 2020

7. Net assets invested in capital assets

	2020	2019
Capital assets	1,430,995	1,524,688
Less: Deferred contributions related to capital assets	(800,887)	(869,829)
	630,108	654,859

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 \$450,000 (2019 - \$250,000) 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	60,786
2021	23,149
2022	23,149

10. Defined benefit and contribution plans and other post-employment benefits

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 \$25,818 (2019 - \$24,703).

11. Financial instruments

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 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 100% (2019 - two entities comprised 93%) of accounts receivable, which is not considered a significant credit risk as signed agreements are in place and the funding entities are considered credit-worthy.

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, 2020

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

13. Subsequent events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

As of March 17, 2020 in accordance with the Government of Ontario's directives for non-essential services, some of the Organization's programming operations were closed to the public but remain functional in a remote capacity. Other operations were deemed essential and are largely unaffected by COVID-19 matters.