

John Howard Society of Kingston & District
Financial Statements
March 31, 2021

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, 2021, 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, 2021, 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 26, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

John Howard Society of Kingston & District Statement of Financial Position

As at March 31, 2021

	2021	2020
Assets		
Current		
Cash	1,912,520	1,539,061
Accounts receivable	73,908	71,516
HST rebates	54,962	25,711
Prepaid expenses	14,902	13,293
	2,056,292	1,649,581
Capital assets (Note 3)	1,408,522	1,430,995
	3,464,814	3,080,576
Liabilities		
Current		
Accounts payable and accrued liabilities	99,479	96,800
Government remittances payable	45,931	10,026
Deferred revenue (Note 4)	5,147	-
Funding repayable (Note 5)	72,858	-
Current portion of long-term debt (Note 6)	4,539	53,375
	227,954	160,201
Long-term debt (Note 6)	-	4,552
Deferred contributions related to capital assets (Note 7)	773,414	800,887
	1,001,368	965,640
Subsequent event (Note 15)		
Net Assets		
Investment in Capital Assets (Note 8)	635,108	630,108
Internally Restricted Operating Reserve (Note 9)	1,125,136	1,005,136
Unrestricted	703,202	479,692
	2,463,446	2,114,936
	3,464,814	3,080,576

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, 2021

	2021	2020
Revenue		
Government funding		
Provincial	2,656,545	2,866,493
Municipal	100	600
Federal	-	4,324
United Leeds and Grenville County	28,983	-
John Howard Society of Ontario	21,174	21,174
Rental income	868,771	826,949
Fundraising and donations	18,317	35,564
Interest income	3,410	11,666
Amortization of deferred contributions <i>(Note 7)</i>	57,172	82,357
Total revenue	3,654,472	3,849,127
Expenses		
Advertising and publishing	110,805	106,659
Amortization of capital assets	93,468	112,907
Bank charges and interest	1,768	2,308
Client costs	47,807	38,611
Fundraising	-	2,294
Insurance	12,528	13,326
Interest on long-term debt	1,157	2,993
Internet	4,207	5,490
Membership fees	33,095	33,115
Miscellaneous	-	818
Office	123,906	102,194
Professional fees	15,926	30,403
Program support payments	566,925	651,253
Rent	126,801	119,000
Repairs and maintenance	69,461	59,327
Salaries and benefits <i>(Note 12)</i>	2,011,843	1,928,144
Telephone	19,312	19,101
Training and education	44,996	82,439
Travel	11,177	32,685
Utilities	28,173	25,081
Total expenses	3,323,355	3,368,148
Excess of revenue over expenses before other items	331,117	480,979
Other items		
Temporary Wage Subsidy for Employers <i>(Note 14)</i>	17,393	7,622
Excess of revenue over expenses	348,510	488,601

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, 2021

	<i>Investment in Capital Assets</i>	<i>Internally Restricted Operating Reserve</i>	<i>Unrestricted</i>	2021	<i>2020</i>
Balance - beginning of the year	630,108	1,005,136	479,692	2,114,936	1,626,335
Excess of revenue over expenses	(36,296)	-	384,806	348,510	488,601
Investment in capital assets	41,296	-	(41,296)	-	-
Transfers - Note 9	-	120,000	(120,000)	-	-
Balance - end of the year	635,108	1,125,136	703,202	2,463,446	2,114,936

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, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	348,510	488,601
Amortization of capital assets	93,468	112,906
Amortization of deferred contributions	(57,172)	(82,357)
	384,806	519,150
Changes in working capital accounts		
Accounts receivable	(2,392)	48,066
HST rebates receivable	(29,251)	15,858
Prepaid expenses	(1,609)	-
Accounts payable and accruals	2,679	24,894
Government remittances payable	35,905	2,766
Deferred contributions	5,147	-
Funding repayable	72,858	-
	468,143	610,734
Financing		
Repayment of long-term debt	(53,388)	(51,552)
Investing		
Purchase of capital assets	(70,995)	(19,213)
Contributions received for the purchase of capital assets	29,699	13,415
	(41,296)	(5,798)
Increase in cash resources	373,459	553,384
Cash resources, beginning of year	1,539,061	985,677
Cash resources, end of year	1,912,520	1,539,061

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, 2021

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.

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. The Organization has not made such an election during the year.

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 revenue 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 revenue over expenses in the year the reversal occurs.

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

For the year ended March 31, 2021

2. Significant accounting policies (continued)

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

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Organization's ability to provide goods and services. The asset is also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Organization determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

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 valuation or accounts receivable, 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.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase such assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Government assistance

Government wage subsidies are reported separately as part of Temporary Wage Subsidy for Employers and are recognized in other income based on eligibility for specific periods.

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

For the year ended March 31, 2021

3. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2021 Net book value</i>	<i>2020 Net book value</i>
Land	87,200	-	87,200	87,200
Building	1,658,518	427,733	1,230,785	1,260,403
Paved surfaces	24,836	4,967	19,869	21,111
Furniture and fixtures	97,433	59,210	38,223	35,998
Computer equipment	143,557	127,566	15,991	5,104
Leasehold improvements	42,116	25,662	16,454	21,179
	2,053,660	645,138	1,408,522	1,430,995

In 2020, total cost of capital assets amounted to \$2,149,801 and total accumulated amortization amounted to \$718,806.

4. Deferred revenue

Deferred contributions consist of unspent contributions externally restricted for delivery of social service programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made.

5. Funding repayable

Funding repayable consists of unspent contributions externally restriction for delivery of employment programs. Recognition of these amounts as revenue is deferred to a period in which eligible expenditures are incurred. Funding repayable exists where less eligible expenditures are incurred than funding received and the unspent funding is then deducted from funding to be received in the following year.

	<i>2021</i>	<i>2020</i>
Employment Service program	10,255	-
Youth Job Connection program	62,603	-
	72,858	-

6. Long-term debt

	<i>2021</i>	<i>2020</i>
Royal Bank of Canada, fixed term loan, repayable in blended monthly instalments of \$4,545, interest at 3.48%, due April, 2021	4,539	57,927
Less: Current portion	4,539	53,375
	-	4,552

Principal repayments on long-term debt over the next year

	<i>Principal</i>
2022	<u>4,539</u>

John Howard Society of Kingston & District

Notes to the Financial Statements

For the year ended March 31, 2021

7. 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:

	2021	2020
Balance, beginning of year	800,887	869,829
Amount received during the year	29,699	13,415
Less: Amounts recognized as revenue during the year	(57,172)	(82,357)
Balance, end of year	773,414	800,887

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. The loan shall be fully forgiven on the last day of the month at the end of the term, provided the Organization fulfills reporting requirements set out in the agreement. At March 31, 2021, the balance of the forgivable loan was \$608,082 (2020 - \$632,651).

8. Net assets invested in capital assets

	2021	2020
Capital assets	1,408,522	1,430,995
Less: Deferred contributions related to capital assets	(773,414)	(800,887)
	635,108	630,108

9. Internally restricted operating reserve

The operating reserve accounts for funds set aside by the Board of Directors 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 \$120,000 (2020 - \$450,000) to this fund.

10. Credit facilities

The Organization has a bank overdraft facility in place with a limit of \$100,000 (2020 - \$100,000) of which nil (2020 - nil) was drawn down at year end.

The Organization has a credit card facility with a limit of \$33,000 (2020 - \$27,000), of which \$19,696 (2020 - \$18,145) was utilized at year end and is included in accounts payable and accrued liabilities.

11. Commitments

The Organization leases four premises under the terms of operating lease agreements. One agreement expires October 31, 2023 and the remaining three lease agreements have no set expiration date. The organization also leases office equipment. Future annual minimum payments, including the non-recoverable portion of the HST, are as follows:

2022	88,911
2023	61,510
2024	23,149

John Howard Society of Kingston & District

Notes to the Financial Statements

For the year ended March 31, 2021

12. 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 \$31,308 (2020 - \$25,818).

13. 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% (2020 - two entities comprised 100%) 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.

14. Significant event

During the year ended March 31, 2020, there was a global outbreak of the novel strain of coronavirus (COVID-19), 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, the extent of the impact the COVID-19 outbreak may have on the Organization beyond the date of these financial statements is unknown 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.

Since the outbreak of the coronavirus, the Organization has applied for and received government assistance through the Temporary Wage Subsidy for Employers to assist eligible organizations with paying wages to working employees.

15. Subsequent event

As of March 31, 2021, the Organization is in the process of exploring a potential merger with Connect Youth Inc., an organization in Leeds & Grenville that serves the at-risk and homeless youth of the community. On May 4, 2021, the Organization and Connect Youth Inc. released a joint press release stating that the two agencies are engaged in the due diligence process.

16. Comparative figures

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