

**JOHN HOWARD SOCIETY OF
PEEL-HALTON-DUFFERIN**

FINANCIAL STATEMENTS

MARCH 31, 2013



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of John Howard Society of Peel-Halton-Dufferin

We have audited the accompanying financial statements of John Howard Society of Peel-Halton-Dufferin, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statement of operations and changes in fund balances and statement of cash flows for the years ended March 31, 2013 and March 31, 2012, 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 Society'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 entity'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives part of its revenue from the general public in the form of donations and memberships, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to accounting for the amounts recorded in the records of the Society and we were unable to determine whether any adjustments might be necessary to donation and membership revenues, excess of expenditures over revenue, assets and fund balances.

INDEPENDENT AUDITORS' REPORT, continued

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of John Howard Society of Peel-Halton-Dufferin as at March 31, 2013, March 31, 2012 and April 1, 2011 and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Mississauga, Ontario
May 28, 2013

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013, 2012 AND APRIL 1, 2011

	Operating Fund	Reserve Fund	Capital Fund	March 31 2013	March 31 2012 (Note 8 & 9)	April 1 2011 (Note 8 & 9)
ASSETS						
Current						
Cash	\$ -	\$ 669,678	\$ 251,145	\$ 920,823	\$ 829,353	\$ 1,014,876
Marketable securities	-	95,645	-	95,645	313,230	345,766
Accounts receivable	28,281	-	-	28,281	80,917	91,547
Interfund account	(27,915)	27,915	-	-	-	-
Prepaid expenses	41,705	-	-	41,705	38,946	40,804
Government remittances	125,987	-	-	125,987	90,728	69,433
	168,058	793,238	251,145	1,212,441	1,353,174	1,562,426
	-	-	450,329	450,329	502,028	527,547
Property and equipment (Note 5)	\$ 168,058	\$ 793,238	\$ 701,474	\$ 1,662,770	\$ 1,855,202	\$ 2,089,973

See accompanying notes to the financial statements

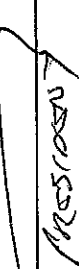


JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2013, 2012 AND APRIL 1, 2011

	Operating Fund	Reserve Fund	Capital Fund	March 31 2013	March 31 2012 (Note 8 & 9)	April 1 2011 (Note 8 & 9)
LIABILITIES						
Current						
Accounts payable	\$ 160,471	\$ 24,811	\$ -	\$ 185,282	\$ 167,117	\$ 166,920
Deferred revenue	7,587	-	-	7,587	135,072	178,306
Deferred contributions related to property and equipment	-	-	59,713	59,713	72,852	66,742
	<u>168,058</u>	<u>24,811</u>	<u>59,713</u>	<u>252,582</u>	<u>375,041</u>	<u>411,968</u>
COMMITMENTS AND CONTINGENCIES (Note 7)						
FUND BALANCES (Note 2)						
Equip. replacement reserve	-	267,342	-	267,342	271,243	245,643
Service stabilization reserve	-	108,008	-	108,008	111,305	135,943
Personal policy reserve	-	369,670	-	369,670	403,817	419,275
Info. management reserve	-	9,018	-	9,018	11,161	11,161
Contingency reserve	-	14,389	-	14,389	14,389	14,389
Surplus	-	-	641,761	641,761	668,246	851,594
	<u>-</u>	<u>768,427</u>	<u>641,761</u>	<u>1,410,188</u>	<u>1,480,161</u>	<u>1,678,005</u>
	<u>\$ 168,058</u>	<u>\$ 793,238</u>	<u>\$ 701,474</u>	<u>\$ 1,662,770</u>	<u>\$ 1,855,202</u>	<u>\$ 2,089,973</u>

Approved on behalf of the board

Director 

Director 



See accompanying notes to the financial statements

JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2013

	Operating Fund	Reserve Fund	Capital Fund	Total 2013	Total 2012 (Note 9)
Revenue (Note 6)	\$ 13,900	\$ -	\$ -	\$ 13,900	\$ 13,900
Human Resource Development Canada					
Ministry of Training, Colleges and Universities	73,346	-	-	73,346	110,236
Summer Job Service	638,008	-	-	638,008	682,412
Employment Services					
Ministry of the Attorney General	852,728	-	-	852,728	838,395
Bail Verification & Supervision	39,064	-	-	39,064	64,605
Youth Justice Committee	55,933	-	-	55,933	55,349
Directed Accountability	8,000	-	-	8,000	8,000
Region of Peel	292,103	-	-	292,103	289,161
United Way	254,565	-	-	254,565	253,365
Ministry of Children and Youth Services					
Industry Canada Community Access Program	-	-	-	-	18,511
Mississauga Community Foundation	10,870	-	-	10,870	39,147
Brampton and Area Community Foundation	2,500	-	-	2,500	2,500
Fees for services	12,550	-	-	12,550	4,629
Memberships and Donations	13,956	-	-	13,956	8,764
County of Dufferin	15,680	-	-	15,680	-
Fundraising	1,158	-	-	1,158	1,802
Investment income	24	15,051	-	15,075	6,047
Rental income	9,600	-	31,406	41,006	37,931
Deferred contributions recognized	-	-	22,411	22,411	22,022
Other income	35,545	-	-	35,545	40,958
	<u>2,329,530</u>	<u>15,051</u>	<u>53,817</u>	<u>2,398,398</u>	<u>2,497,734</u>

See accompanying notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2013

	Operating Fund	Reserve Fund	Capital Fund	Total 2013	Total 2012 (Note 9)
Expenditures					
Salaries	1,328,912	-	-	1,328,912	1,385,538
Employee benefits and HR costs	281,076	34,146	-	315,222	305,373
Travel and conference expenses	40,615	-	-	40,615	51,472
Occupancy costs	436,064	-	-	436,064	462,002
Administration expenses	66,212	705	-	66,917	94,385
Bank charges	119	-	-	119	(36)
Professional fees	25,604	-	-	25,604	36,562
Service and program expenses	70,303	-	-	70,303	102,249
Project costs	10,010	-	-	10,010	43,933
Summer jobs stipend	55,204	-	-	55,204	92,154
Job development stipend	53,092	-	-	53,092	56,687
Loss on disposal of assets	-	-	-	-	1,440
Amortization of property, plant and equipment	-	-	64,166	64,166	63,386
Fire replacement costs	-	-	-	-	433
Information management expenses	-	2,143	-	2,143	-
	<u>2,367,211</u>	<u>36,994</u>	<u>64,166</u>	<u>2,468,371</u>	<u>2,695,578</u>
Excess, before appropriations	(37,681)	(21,943)	(10,349)	(69,973)	(197,844)
Appropriations	37,681	(21,545)	(16,136)	-	-
Fund balance, beginning of year	-	811,915	668,246	1,480,161	1,678,005
Fund balance, end of year	\$ -	\$ 768,427	\$ 641,761	\$ 1,410,188	\$ 1,480,161

See accompanying notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2013

	Operating Fund	Reserve Fund	Capital Fund	2013	2012 (Note 9)
Cash flows from operating activities					
Excess of expenditures over revenue	\$ (37,681)	\$ (21,943)	\$ (10,349)	\$ (69,973)	\$ (197,848)
Adjustments for					
Amortization	-	-	64,166	64,166	63,386
Loss on disposal	-	-	-	-	1,440
Unrealized change in fair value of marketable securities	-	(9,415)	-	(9,415)	10,536
	<u>(37,681)</u>	<u>(31,358)</u>	<u>53,817</u>	<u>(15,222)</u>	<u>(122,486)</u>
Change in non-cash working capital items					
Accounts receivable	49,451	3,185	-	52,636	10,631
Prepaid expenses	(2,759)	-	-	(2,759)	1,858
Accounts payable	42,354	(24,189)	-	18,165	198
Government remittances	(35,259)	-	-	(35,259)	(21,293)
Deferred revenue	(127,485)	-	(13,139)	(140,624)	(37,123)
Interfund account	27,915	(27,915)	-	-	-
	<u>(83,464)</u>	<u>(80,277)</u>	<u>40,678</u>	<u>(123,063)</u>	<u>(168,215)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	-	-	(12,467)	(12,467)	(39,308)
Sale of marketable securities	-	227,000	-	227,000	22,000
	<u>-</u>	<u>227,000</u>	<u>(12,467)</u>	<u>214,533</u>	<u>(17,308)</u>
Cash flows from financing activities					
Appropriations	37,681	(21,545)	(16,136)	-	-
Increase (decrease) in cash	(45,783)	125,178	12,075	91,470	(185,523)
Cash, beginning of year	45,783	544,500	239,070	829,353	1,014,876
Cash, end of year	\$ -	\$ 669,678	\$ 251,145	\$ 920,823	\$ 829,353

See accompanying notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2013

1. PURPOSE OF ORGANIZATION

John Howard Society of Peel-Halton-Dufferin was incorporated on January 30, 1996 and as of November 5, 2005 became John Howard Society of Peel-Halton-Dufferin, a corporation without share capital that is a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Society is an affiliate of the John Howard Society of Ontario. The society's mission is to prevent crime through research, community education, and the promotion of systemic change and restorative services to individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Society follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

(a) Financial statement presentation

These general purpose financial statements include the assets, liabilities, revenue and expenditures of all of the programs and operations of the John Howard Society of Peel-Halton-Dufferin.

(b) Fund accounting

The Society uses fund accounting to report its activities and follows the deferral method of accounting for contributions.

The Operating fund is used generally for administrative operations as well as for the various programs.

The Reserve fund is used to monitor the various reserves of the Society and the revenues and expenditures relating to the investment of those reserve funds. The Society currently has set up various reserves with the following purposes:

(i) The Equipment Replacement Reserve provides for future repairs and replacements.

(ii) The Service Stabilization Reserve ensures the continued service delivery at times of funding shortfalls.

(iii) The Personnel Policy Reserve provides for any liabilities arising from the Society's personnel policies.

(iv) The Information Management Reserve provides for updating and enhancing the Society's software system

(v) The Contingency Reserve provides and maintains property and leasehold improvements and commitments for the Society's locations.

The Capital fund is used to identify the cost and amortization of all property and equipment for the various programs.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Investments

The portfolio of marketable securities are measured at fair value. The related changes in fair value of the portfolio of marketable securities are reported in the statement of operations. Fair value is determined using market rates on the active market.

(d) Property and equipment

Property and equipment are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates are as follows:

Building	30 years
Equipment	5 years
Furniture	10 years
Paving	5 years
Leasehold improvements	5 years

Subsequent to year end, the Society changed its amortization policy for Equipment and Furniture to be reduced to 3 years and 7 years respectively on all purchases made after April 1, 2013.

(e) Revenue recognition

The Society uses the deferral method of accounting for contributions whereby restricted funding and donations related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Unrestricted donations and contributions along with investment income not required to be paid back to funders are reported as revenue of the current period.

(f) Contributed services

Volunteers contribute time each year to assist the Society in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(g) 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2013

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

These are the Society's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations. No changes were required to the comparative balances presented as a result of adoption of these accounting standards.

The rules for transition to Canadian accounting standards for not-for-profit organizations normally require that an enterprise prepare its opening statement of financial position using the standards that will be followed thereafter. However, certain elective exemptions from this rule are available. In preparing the opening statement of financial position shown above, the Society used none of the elective exemptions.

4. FINANCIAL INSTRUMENTS

Interest Rate, Currency, Credit and Liquidity Risks

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest rate, currency, credit or liquidity risks arising from its financial instruments. Management believes the exposure to these risks has not changed in the past year.

5. PROPERTY AND EQUIPMENT

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2013 Net</i>	<i>2012 Net</i>
Land	\$ 133,767	\$ -	\$ 133,767	\$ 133,767
Building	324,633	116,947	207,686	218,507
Leasehold improvements	228,358	203,790	24,568	33,931
Equipment	432,364	368,053	64,311	91,832
Furniture	110,370	90,373	19,997	23,991
Paving	13,972	13,972	-	-
	<u>\$ 1,243,464</u>	<u>\$ 793,135</u>	<u>\$ 450,329</u>	<u>\$ 502,028</u>



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2013

6. REVENUE RECONCILIATION

The property and equipment of the Society are capitalized and expensed by way of amortization over the assets' useful life as per Note 2, to comply with Canadian accounting standards for not-for-profit organizations. This results in a difference between actual funding and expenditures versus those disclosed on these financial statements.

Similarly, some funding relating to future periods has been set up as a deferred revenue as per Note 2. This also results in a difference between actual funding and expenditures versus those disclosed on these financial statements. The amounts repayable to the respective Ministries have been reduced from current revenues and shown in accounts payable.

Revenue recognized from various funding agencies can be reconciled to actual cash payments received during the year as follows:

(a) Ministry of Training, Colleges and Universities - general funding

During the year the Society received \$635,370 in cash and recorded \$3,917 in accounts receivable, of which \$1,279 was spent on capital asset additions. The remaining \$638,008 has been recognized as revenue.

The Society also received \$74,197 for the Summer Jobs Service program, of which \$851 has been deferred and the remaining \$73,346 has been recognized as revenue.

(b) Ministry of Attorney General

The Ministry confirmed payment of \$853,868 for the Bail Verification and Services, of which \$1,140 was spent on capital asset additions and the remaining \$852,728 has been recognized as revenue.

During the year the Society received \$35,000 from the Ministry for the Youth Justice Committee program and spent \$4,448 from 2011's funding that was previously deferred. Of the total funding provided, \$384 was spent on capital asset additions and the remaining \$39,064 has been recognized as revenue. The 2012 deferred amount of \$4,391 has yet to have been repaid to the Ministry and is included in the deferred revenue balance.

The Society also received \$56,450 for the Direct Accountability program, of which \$517 was spent on capital asset additions, and the remaining balance of \$55,933 has been directly recognized as revenue.

(c) United Way

During the year the Society received \$280,094 in cash from the United Way of Peel, all of which has been recognized as revenue. In addition, the Society received \$14,350 from the United Way of Milton, of which \$2,341 was spent on capital asset additions. The remaining \$12,009 has been recognized as revenue. In total, \$292,103 received from United Way organizations has been recognized as revenue.

(d) Ministry of Children and Youth Services

The Ministry confirmed payment of \$256,296 during the year, of which \$3,500 was spent on capital assets. The Society also spent \$2,835 related to 2012 funding previously set up as deferred, and deferred \$1,066 leaving a balance of \$254,565 recorded in revenue.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2013

6. REVENUE RECONCILIATION, continued

(e) Mississauga Community Foundation

During the year the Society spent and recognized \$10,870 in revenue from the Mississauga Community Foundation, all of which was received in the prior year and previously set up as deferred.

(f) Brampton and Area Community Foundation

During the year the Society spent and recognized \$2,500 in revenue from the Brampton and Area Community Foundation, all of which was received in the prior year and previously set up as deferred.

(g) Dufferin County Community Services

During the year the Society received \$12,346 and recorded \$3,334 in accounts receivable from Dufferin County Community Services, all of which was recorded in revenue.

7. COMMITMENTS AND CONTINGENCIES

The Society has the following annual operating lease commitments with respect to premises:

2014	\$ 193,046
2015	84,882
2016	54,411
2017	<u>18,262</u>
	<u>\$ 350,601</u>

The financial statements also include an accrual for severance for two former employees. One of the former employees is seeking additional compensation for their dismissal in excess of the amount accrued, however, the amount is indeterminable.

8. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to confirm with the financial statement presentation adopted in the current year.

9. PRIOR PERIOD ADJUSTMENT

The comparative figures have been retroactively restated to reflect an overpayment of Employee Health Tax previously expensed as paid. As a result, fund balances as at April 1, 2011 have been increased by \$16,839 and fund balances as at March 31, 2012 have been increased by \$34,264.

Excess of expenditures over revenue for the year ended March 31, 2012 have decreased by \$17,425.

In addition, the Society has increased previously reported accounts receivable by \$16,839 as at April 1, 2011 and by \$34,264 as at March 31, 2012.

