

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

FINANCIAL STATEMENTS

MARCH 31, 2014



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, 2014, and the statement of operations and changes in fund balances and statement of cash flows for the year, 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, 2014 and its financial performance and its cash flows for the year in accordance with Canadian accounting standards for not-for-profit organizations.



Mississauga, Ontario
June 26, 2014

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

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	Operating Fund 2014	Reserve Fund 2014	Capital Fund 2014	March 31 2014	March 31 2013 (Note 7)
ASSETS					
Current					
Cash	\$ 157,569	\$ 632,831	\$ 231,105	\$ 1,021,505	\$ 920,823
Marketable securities	-	110,379	-	110,379	95,645
Accounts receivable	64,114	-	-	64,114	28,281
Prepaid expenses	40,519	-	-	40,519	41,705
Government remittances	68,598	-	-	68,598	125,987
	<u>330,800</u>	<u>743,210</u>	<u>231,105</u>	<u>1,305,115</u>	<u>1,212,441</u>
Property and equipment (Note 4)					
	-	-	399,143	399,143	450,329
	<u>\$ 330,800</u>	<u>\$ 743,210</u>	<u>\$ 630,248</u>	<u>\$ 1,704,258</u>	<u>\$ 1,662,770</u>

See accompanying notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

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	Operating Fund 2014	Reserve Fund 2014	Capital Fund 2014	March 31 2014	March 31 2013 (Note 7)
LIABILITIES					
Current					
Accounts payable	\$ 241,348	\$ -	\$ -	\$ 241,348	\$ 185,282
Deferred revenue	89,452	-	-	89,452	26,002
Deferred contributions related to property and equipment	-	-	47,406	47,406	59,713
	<u>330,800</u>	<u>-</u>	<u>47,406</u>	<u>378,206</u>	<u>270,997</u>

COMMITMENTS AND CONTINGENCIES (Note 6)

FUND BALANCES (Note 2)

Equip. replacement reserve	-	266,821	-	266,821	267,342
Service stabilization reserve	-	125,494	-	125,494	108,008
Personal policy reserve	-	327,488	-	327,488	369,670
Info. management reserve	-	9,018	-	9,018	9,018
Contingency reserve	-	14,389	-	14,389	14,389
Surplus	-	-	582,842	582,842	623,346
	<u>-</u>	<u>743,210</u>	<u>582,842</u>	<u>1,326,052</u>	<u>1,391,773</u>
	<u>\$ 330,800</u>	<u>\$ 743,210</u>	<u>\$ 630,248</u>	<u>\$ 1,704,258</u>	<u>\$ 1,662,770</u>

Approved on behalf of the board

Director

P. Whetford

Director

John J. Dufferin

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, 2014

	Operating Fund	Reserve Fund	Capital Fund	Total 2014	Total 2013 (Note 7)
Revenue (Note 6)					
Human Resource Development Canada	\$ 13,721	\$ -	-	\$ 13,721	\$ 13,900
Ministry of Training, Colleges and Universities					
Summer Job Service	59,952	-	-	59,952	73,346
Employment Services	660,693	-	-	660,693	638,008
Youth Employment Fund	220,122	-	-	220,122	-
Ministry of the Attorney General					
Bail Verification & Supervision	851,320	-	-	851,320	852,728
Youth Justice Committee	35,000	-	-	35,000	39,064
Directed Accountability	56,650	-	-	56,650	45,517
Region of Peel	50,261	-	-	50,261	8,000
United Way	242,942	-	-	242,942	292,103
Ministry of Children and Youth Services	279,365	-	-	279,365	254,565
Mississauga Community Foundation	27,500	-	-	27,500	10,870
Brampton and Caledon Community Foundation	2,500	-	-	2,500	2,500
Fees for services	9,360	-	-	9,360	12,550
Memberships and Donations	9,062	-	-	9,062	13,956
County of Dufferin	43,588	-	-	43,588	15,680
Fundraising	-	-	-	-	1,158
Investment income	10	18,052	-	18,062	15,075
Rental income	5,500	-	26,241	31,741	41,006
Deferred contributions recognized	-	-	17,854	17,854	22,411
Jayden Community Fund	1,993	-	-	1,993	-
Other income	47,058	-	-	47,058	27,546
	<u>2,616,597</u>	<u>18,052</u>	<u>44,095</u>	<u>2,678,744</u>	<u>2,379,983</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, 2014

	Operating Fund	Reserve Fund	Capital Fund	Total 2014	Total 2013 (Note 7)
Expenditures					
Salaries	1,375,055	-	-	1,375,055	1,328,912
Employee benefits and HR costs	274,105	42,183	-	316,288	315,222
Travel and conference expenses	55,624	-	-	55,624	40,615
Occupancy costs	437,251	-	-	437,251	436,064
Administration expenses	75,636	1,087	-	76,723	66,917
Bank charges	107	-	-	107	119
Professional fees	32,886	-	-	32,886	25,604
Service and program expenses	76,611	-	-	76,611	70,303
Project costs	3,274	-	-	3,274	10,010
Summer jobs stipend	44,900	-	-	44,900	55,204
Job development stipend	269,013	-	-	269,013	53,092
Amortization of property, plant and equipment	-	-	56,733	56,733	64,166
Information management expenses	-	-	-	-	2,143
	<u>2,644,462</u>	<u>43,270</u>	<u>56,733</u>	<u>2,744,465</u>	<u>2,468,371</u>
Excess, before appropriations	(27,865)	(25,218)	(12,638)	(65,721)	(88,388)
Appropriations	27,865	-	(27,865)	-	-
Fund balance, beginning of year	-	768,428	623,345	1,391,773	1,480,161
Fund balance, end of year	<u>\$ -</u>	<u>\$ 743,210</u>	<u>\$ 582,842</u>	<u>\$ 1,326,052</u>	<u>\$ 1,391,773</u>

See accompanying notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	Operating Fund	Reserve Fund	Capital Fund	2014	2013 (Note 7)
Cash flows from operating activities					
Excess of expenditures over revenue	\$ (27,865)	\$ (25,218)	\$ (12,638)	\$ (65,721)	\$ (88,388)
Adjustments for					
Amortization	-	-	56,733	56,733	64,166
Unrealized change in fair value of marketable securities	-	(14,733)	-	(14,733)	(9,415)
	(27,865)	(39,951)	44,095	(23,721)	(33,637)
Change in non-cash working capital items					
Accounts receivable	(35,833)	-	-	(35,833)	52,636
Prepaid expenses	1,186	-	-	1,186	(2,759)
Accounts payable	80,877	(24,811)	-	56,066	18,164
Government remittances	57,389	-	-	57,389	(35,259)
Deferred revenue	63,450	-	(12,307)	51,143	(122,208)
Interfund account	(27,915)	27,915	-	-	-
	111,289	(36,847)	31,788	106,230	(123,063)
Cash flows from investing activities					
Purchase of property, plant and equipment	-	-	(5,548)	(5,548)	(12,467)
Sale of marketable securities	-	-	-	-	227,000
	-	-	(5,548)	(5,548)	214,533
Cash flows from financing activities					
Appropriations	27,865	-	(27,865)	-	-
Increase (decrease) in cash	139,154	(36,847)	(1,625)	100,682	91,470
Cash, beginning of year	18,415	669,678	232,730	920,823	829,353
Cash, end of year	\$ 157,569	\$ 632,831	\$ 231,105	\$ 1,021,505	\$ 920,823

See accompanying notes to the financial statements



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

1. PURPOSE OF ORGANIZATION

John Howard Society of Peel-Halton-Dufferin was incorporated on January 30, 1996 and as of November 5, 2005 became the 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 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 reserves with the following purposes:

(i) The Equipment Replacement Reserve provides for future equipment 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, 2014

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	3-5 years
Furniture	7-10 years
Paving	5 years
Leasehold improvements	5 years

(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. Balances that are subject to estimates are accounts receivable, property and equipment and allocation of administrative expenses.

3. 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.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

4. PROPERTY AND EQUIPMENT

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2014 Net</i>	<i>2013 Net</i>
Land	\$ 133,767	\$ -	\$ 133,767	\$ 133,767
Building	324,633	127,768	196,865	207,686
Leasehold improvements	228,358	214,414	13,944	24,568
Equipment	437,911	398,594	39,317	64,311
Furniture	110,370	95,119	15,251	19,997
Paving	13,972	13,972	-	-
	<u>\$ 1,249,011</u>	<u>\$ 849,867</u>	<u>\$ 399,144</u>	<u>\$ 450,329</u>

5. 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 \$621,416 in cash and recorded \$43,715 in accounts receivable from the Ministry of Training, Colleges and Universities in relation to its Employment Services program. \$3,917 of the amount received in the current year pertained to an amount set up in the prior year's accounts receivable, and \$521 of the current year's funding was set up as deferred as at year end. The remaining \$660,693 has been recognized as revenue.

The Society also received \$59,952 and \$226,200 for the Summer Jobs Service and Youth Employment Fund programs respectively, of which \$6,078 has been deferred at year end. During the year, the Society spent \$946 of prior year's funding, leaving a balance of \$280,074 recognized as revenue in the current year.

(b) Ministry of Attorney General

The Ministry confirmed payment of \$856,868 for the Bail Verification and Services, of which \$5,548 was spent on capital asset additions and the remaining \$851,320 has been recognized as revenue.

During the year the Society received \$35,000 from the Ministry for the Youth Justice Committee program, all of which was recorded 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 \$56,650 for the Direct Accountability program, all of which has been directly recognized as revenue.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

5. REVENUE RECONCILIATION, continued

(c) Region of Peel

During the year the Society received \$63,043 in cash from the Region of Peel for Sustainability funding, of which \$47,282 has been deferred. The Society also received \$52,600 for the Patch program, of which \$26,300 has been deferred.

(d) United Way

During the year the Society received \$224,732 in cash from the United Way of Peel, all of which has been recognized as revenue. In addition, the Society received \$14,710 and \$3,500 from the United Way of Milton and Halton respectively, all of which has been recognized as revenue.

(e) Ministry of Children and Youth Services

The Ministry confirmed payment of \$279,365 during the year, all of which was recorded as revenue. The 2013 deferred amount of \$1,066 has yet to have been repaid to the Ministry and is included in the deferred revenue balance.

(f) Dufferin County Community Services

During the year the Society received \$41,291 from Dufferin County Community Services, \$3,335 of which related to a prior year receivable, in addition to \$5,632 recorded in accounts receivable, leaving a balance of \$43,588 recorded as revenue.

6. COMMITMENTS AND CONTINGENCIES

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

2015	\$	168,380
2016		121,314
2017		<u>43,509</u>
	\$	<u>333,203</u>

Subsequent to year end, a claim was filed by a former employee under the Human Rights Tribunal of Ontario. The likelihood of success and the exposure to loss are not currently determinable. No liability has been recognized in these financial statement relating to this claim.



JOHN HOWARD SOCIETY OF PEEL-HALTON-DUFFERIN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

7. PRIOR PERIOD ADJUSTMENT

The comparative figures have been retroactively restated to reflect funding that was erroneously recorded as revenue in fiscal 2013 despite the fact that the related expenditures pertaining to the funding were not incurred until fiscal 2014. As a result, fund balances as at March 31, 2013 have been decreased by \$18,415.

Excess of expenditures over revenue for the year ended March 31, 2013 have increased by \$18,415.

In addition, the Society has increased previously reported deferred revenue by \$18,415 as at March 31, 2014.

8. SUBSEQUENT EVENTS

Subsequent to year end, the Society's head office was vacated due to a water leak that caused significant damage to the premises. It is expected that insurance will cover all of the cost of the repairs required. The administrative staff moved to the other Brampton location while repairs are being made.

